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United Nations

United Nations Children's Fund

Financial report and audited financial statements

for the year ended 31 December 2021

and

Report of the Board of Auditors

General Assembly

Official Records
Seventy-seventh Session
Supplement No. 5C

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Report of the Board of Auditors

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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal

Letter dated 20 May 2022 from the Executive Director of the United Nations Children's Fund addressed to the Executive Secretary of the Board of Auditors

Pursuant to United Nations Children's Fund financial regulation 13.3, enclosed are the financial report and statements for 2021. These statements have been prepared and certified by the Comptroller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) Catherine M. **Russell**
Executive Director

Letter dated 21 July 2022 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors, together with the financial report and the audited financial statements of the United Nations Children's Fund for the year ended 31 December 2021.

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the United Nations Children's Fund (UNICEF), which comprise the statement of financial position (statement I) as at 31 December 2021 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNICEF as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of UNICEF in accordance with the ethical requirements relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor's report thereon

The Executive Director of UNICEF is responsible for the other information, which comprises the financial overview for the year ended 31 December 2021, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

The Executive Director is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as the Executive Director determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director is responsible for assessing the ability of UNICEF to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless the Executive Director intends either to liquidate UNICEF or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of UNICEF.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control;

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of UNICEF;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Director;

(d) Draw conclusions as to the appropriateness of the Executive Director's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of UNICEF to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause UNICEF to cease to continue as a going concern;

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In our opinion, the transactions of UNICEF that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the financial regulations and rules of UNICEF and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of UNICEF.

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China

21 July 2022

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Children's Fund (UNICEF) was established by the General Assembly on 11 December 1946 as the United Nations International Children's Emergency Fund to meet the emergency needs of children. In 1950, the mandate of UNICEF was broadened to address the long-term needs of children and women in developing countries across the world. UNICEF became a part of the United Nations in 1953, and its name was shortened to the United Nations Children's Fund. The primary mission of UNICEF is to protect children's rights, help meet their basic needs and expand their opportunities so as to enable them to reach their full potential.

The Board of Auditors audited the financial statements and reviewed the operations of UNICEF for the year ended 31 December 2021. The interim audit was carried out through a combination of field and remote audits from Santiago, owing to the coronavirus disease (COVID-19) pandemic. The interim audit was performed at New York headquarters from 30 August to 24 September 2021, and remote audits were performed in the Eastern and Southern Africa Regional Office and the South Sudan and Mozambique country offices from 12 October to 5 November 2021; the Middle East and North Africa Regional Office, the Yemen country office and the Private Fundraising and Partnerships Division in Geneva from 22 November to 17 December 2021; and the Global Shared Service Centre in Budapest and the Supply Division offices in Copenhagen from 31 January to 4 March 2022. The final audit of the financial statements was carried out on-site at UNICEF headquarters in New York from 4 April to 13 May 2022.

Scope of the report

The report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly and that have been discussed with UNICEF management, whose views have been appropriately reflected.

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNICEF as at 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed the operations of UNICEF under regulation 7.5 of the Financial Regulations and Rules of the United Nations, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations.

The Board also reviewed a detailed follow-up of action taken in response to recommendations made in previous years.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNICEF as at 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Overall conclusion

The Board did not identify significant errors, omissions or misstatements from the review of the financial records of UNICEF for the year ended 31 December 2021. However, the Board identified scope for improvement in the areas of private fundraising authorization, implementing partners management, private sector fundraising reports, information and communications technology, programme management, payroll management, supply chain and inventory management.

With total revenue of $8.57 billion (an increase of $1.02 billion compared with 2020) and expenses of $7.21 billion (an increase of $0.73 billion compared with 2020), the financial statements reflected a surplus of $1.51 billion during 2021 ($1.22 billion in 2020). The overall financial position of UNICEF remained sound during 2021, with total assets of more than two times the total liabilities.

Key findings

The Board's key findings are as follows:

Loan without General Assembly authorization

The Board verified that UNICEF borrowed funds, with the authorization of its Executive Board, in spite of the absence of provisions in the UNICEF Financial Regulations and Rules or authorization by the General Assembly.

Closure of action points without evidence

After reviewing the total recorded action points registered as "completed" in the action points module of eTools, the Board noticed that some of these did not have supporting evidence regarding their remedial action and were automatically closed without further action taken by the country offices.

Delays in various reporting activities

After reviewing the IMPACT platform, where several reports are issued, the Board observed that, for both National Committees and country offices, revenue and expenditure reports, cash forecast reports and quarterly financial scorecards were not delivered or provided in a timely manner, as established by the Private Fundraising and Partnerships Division.

Insufficient documentation of compensating control in the segregation of duties process

A total of 88 cases were evaluated, of which 74 (84 per cent) had a standard statement as a compensating control and 63 of those 74 (85 per cent) had no description of the compensating control applied.

Main recommendations

On the basis of the audit findings, the Board recommends that UNICEF:

Loan without General Assembly authorization

(a) **Obtain specific authority from the General Assembly in the event of borrowing funds from any source external to the Organization;**

(b) **Comply in a strict manner with current regulations whenever using financing instruments for fundraising that may raise a liability;**

Closure of action points without evidence

(c) **Ensure that the Division of Data, Analytics, Planning and Monitoring develops guidance on the action points for follow-up, in order to ensure that the actions taken have been properly completed in eTools;**

(d) **Ensure that the Division of Data, Analytics, Planning and Monitoring assesses whether ineligible expenditures reported in the action point should be impaired through the regional harmonized approach to cash transfers focal point, in line with UNICEF policy;**

(e) **Ensure that the actions taken by the South Sudan and Yemen country offices appropriately address the findings and recommendations resulting from closed assurance activities;**

Delays in various reporting activities

(f) **Ensure that the Private Fundraising and Partnerships Division requires National Committees and country offices to improve the number of reports submitted in a timely manner, in accordance with the reporting calendars;**

Insufficient documentation of compensating control in the segregation of duties process

(g) **Strengthen and describe the monitoring of conflicting roles assigned when reasonable segregation is not possible, to ensure that compensating control mechanisms are effective;**

Follow-up of previous recommendations

The Board noted that there were 44 outstanding recommendations up to the year ended 31 December 2020, of which 37 (84 per cent) had been fully implemented, 5 (11 per cent) were under implementation and 2 (5 per cent) had been overtaken by events. Details on the status of implementation of the previous years' recommendations are provided in the annex to chapter II.

Key facts	
15,905	Staff members
$8.57 billion	Revenue
$7.14 billion	Expenses
$1.51 billion	Surplus for the year
$19.03 billion	Assets
$8.70 billion	Liabilities
$10.33 billion	Accumulated surpluses and reserves

A. Mandate, scope and methodology

1. The United Nations Children's Fund (UNICEF) was established by the General Assembly on 11 December 1946 as the United Nations International Children's Emergency Fund to meet the emergency needs of children. In 1950, the mandate of UNICEF was broadened to address the long-term needs of children and women in developing countries across the world. UNICEF became a part of the United Nations in 1953 and its name was shortened to the United Nations Children's Fund, while retaining the acronym, to denote its revised mandate. The primary mission of UNICEF is to protect children's rights, help meet their basic needs and expand their opportunities so as to enable them to reach their full potential. The focus areas of UNICEF programmes include young child survival and development, basic education and gender equality, HIV/AIDS, child protection from violence, exploitation and abuse, policy advocacy and partnerships for children's rights and humanitarian action.

2. The audit was conducted in accordance with General Assembly resolution 74 (I) of 7 December 1946 and article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatements.

3. The audit was conducted to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNICEF as at 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations.

4. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

5. The Board also reviewed UNICEF operations pursuant to financial regulation 7.5 of the Financial Regulations and Rules of the United Nations, according to which the Board may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNICEF.

6. The audit was carried out through a combination of field and remote audits owing to travel restrictions following the coronavirus disease (COVID-19) pandemic. The Board adjusted its processes of analysis and utilized alternative audit procedures to obtain reasonable assurance. It is the Board's view that the remote audit was performed as an exception under unique circumstances and should not be viewed as a standard occurrence in future audits.

7. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with UNICEF management, whose views have been appropriately reflected in the report.

B. Findings and recommendations

1. Follow-up of previous recommendations

8. The Board noted that there were 44 outstanding recommendations up to the year ended 31 December 2020, of which 37 (84 per cent) had been fully implemented, 5 (11 per cent) were under implementation and 2 (5 per cent) had been overtaken by events (see table II.1).

Table II.1
Status of implementation of recommendations

Report	*Number of recommendations*	*Recommendations pending as at 31 December 2020*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Recommendations pending as at 31 December 2021*
A/72/5/Add.3, chap. II (2016)	36	1	1	–	–	–	–
A/73/5/Add.3, chap. II (2017)	36	1	1	–	–	–	–
A/74/5/Add.3, chap. II (2018)	48	5	5	–	–	–	–
A/75/5/Add.3, chap. II (2019)	48	15	9	4	–	2	4
A/76/5/Add.3, chap. II (2020)	22	22	21	1	–	–	1
Total	**190**	**44**	**37**	**5**	**–**	**2**	**5**

9. The Board considers that implementing 37 recommendations in an audit period reflects a solid commitment from UNICEF to improve its management. Of the recommendations remaining under implementation, two are related to information and communications technology (ICT), and UNICEF expects to have them implemented by the fourth quarter of 2023.

2. Financial overview

Impact of the COVID-19 pandemic

10. The COVID-19 pandemic affected UNICEF in different ways. It meant that UNICEF had to adjust the implementation of its Strategic Plan, 2018–2021, and internal processes, broaden partnerships and modify programme and project management. It also resulted in an increase in the financing gap between what was

needed and what is currently available to achieve the Sustainable Development Goals and had other financial impacts.

11. With regard to programme management, funds received in the previous and the current reporting periods were used to respond to the pandemic, and programmes at the country level were adapted. There was a budget increase of $988.92 million under other resources – emergency in response to the COVID-19 pandemic and humanitarian response activities.

12. In addition, in February 2021, UNICEF received $735.08 million as part of an agreement signed with a vaccines global access organization for COVID-19 to coordinate the delivery of COVID-19 vaccines to low- and middle-income countries.

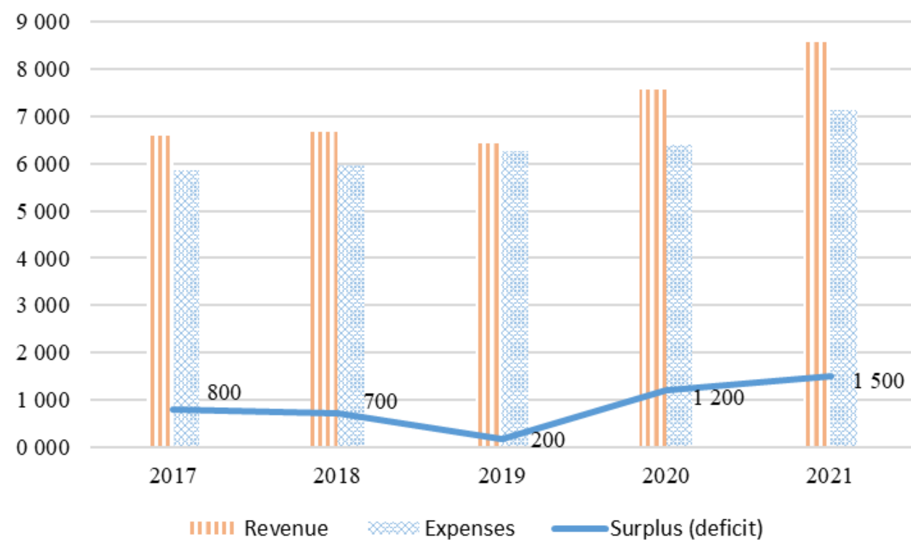
Financial performance

13. With respect to operating results, there was a surplus for 2021 of $1.51 billion (2020: $1.22 billion). The increase of 23.77 per cent was attributable mainly to an increase in multi-year revenue agreements.

14. Revenue for 2021 was $8.57 billion, an increase of $1.02 billion compared with the previous year (2020: $7.55 billion). The increase of 13.53 per cent was attributable mainly to an increase in voluntary contributions towards programmatic activities supporting the pandemic response ($0.99 billion).

15. Expenses for 2021 were $7.14 billion (2020: $6.41 billion). The increase in expenses of 11.39 per cent was attributable primarily to an increase of 10.62 per cent in cash assistance to $2.50 billion (2020: $2.26 billion) related to an increase in direct cash transfers to implementing partners in assisting the humanitarian response activities in Mozambique, Yemen and Zimbabwe. An increase of 12.87 per cent in the transfer of programme supplies to $1.29 billion (2020: $1.15 billion) was driven primarily by the response to COVID-19 pandemic; water, sanitation and hygiene programme activities; and emergency response related to water, sanitation and hygiene, health and nutrition. Lastly, an increase of 29.36 per cent in other expenses and investment funds for development of private sector fundraising to $1.15 billion (2020: $0.89 billion) was attributable mainly to adjustment of the current replacement cost of inventory ($126.43 million). A comparison of revenue and expenses is shown in figure II.I.

Figure II.I
Revenue and expenses, 2017–2021
(Millions of United States dollars)

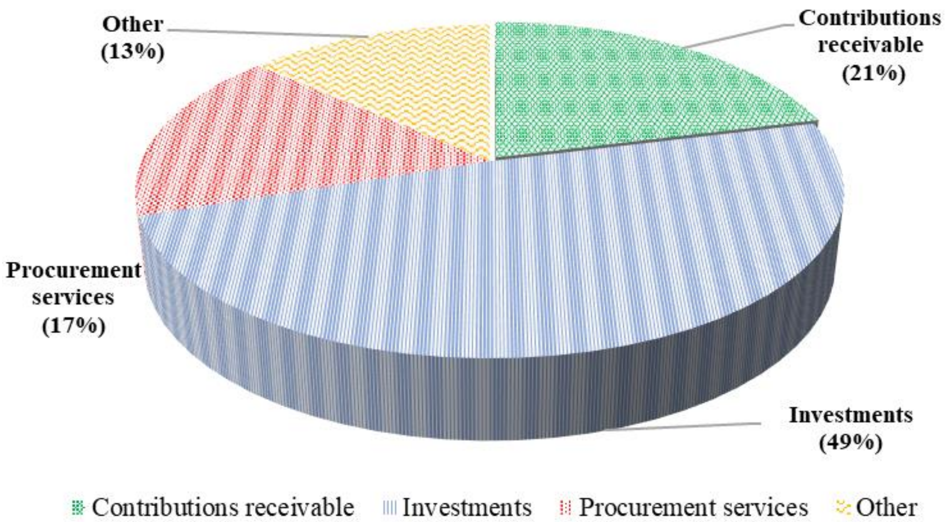


Source: UNICEF financial statements for 2017 to 2021.

Financial position

16. As at 31 December 2021, UNICEF had total assets of $19.03 billion (2020: $13.02 billion), representing an increase of 46.16 per cent compared with 2020. The increase in assets was attributable mainly to an increase of 60.28 per cent in investments, which amounted to $9.28 billion in 2021 (2020: $5.79 billion), owing to a growth in term deposits and traded bonds. Contributions receivable as at 31 December 2021, including multi-year contributions for programmatic activities, amounted to $4.01 billion (2020: $3.69 billion), representing 21.07 per cent of the total assets. The increase in assets related to procurement services to $3.19 billion (2020: $0.82 billion) was driven by the new alliance entered into with a vaccine global access organization to procure and deliver COVID-19 vaccines in 2021. The composition of the assets is shown in figure II.II below.

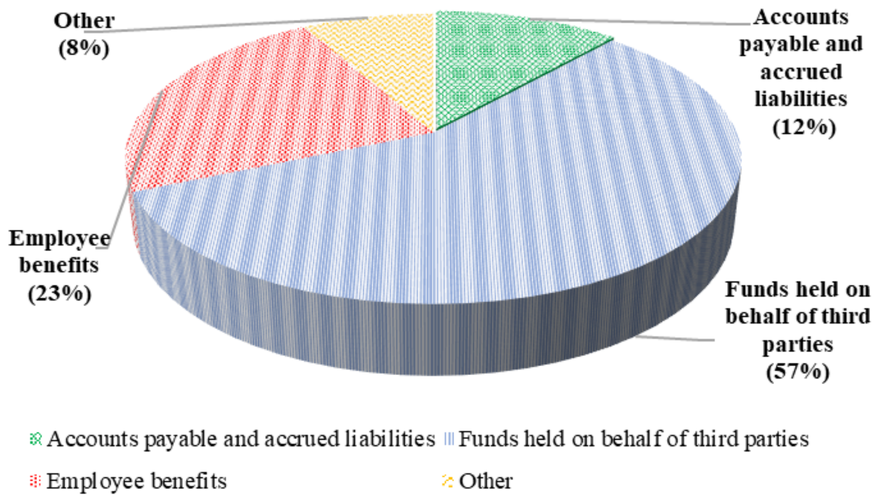
Figure II.II
Composition of assets as at 31 December 2021



Source: UNICEF financial statements for 2021.

17. The total liabilities of UNICEF increased significantly (by 111.28 per cent) to $8.70 billion as at 31 December 2021 (2020: $4.12 billion). The increase was mainly attributable to funds held on behalf of third parties of $4.95 billion (2020: $1.42 billion) comprising advance payments from Governments and organizations for procurement services from UNICEF. The increase of 247.94 per cent was attributable to the new agreement signed with a vaccines global access organization for procurement and delivery of COVID-19 vaccines. The accounts payable and accrued liabilities as at 31 December 2021 amounted to $1.01 billion (2020: $0.32 billion). The increase of 220.27 per cent was related primarily to Gavi, the Vaccine Alliance, and other vaccine providers. The composition of the liabilities is shown in figure II.III below.

Figure II.III
Composition of liabilities as at 31 December 2021



Source: UNICEF financial statements for 2021.

Ratio analysis

18. Although all ratios have shown a decrease compared with the previous year, UNICEF remains in a very comfortable and solvent position. The ratio of total assets to total liabilities as at 31 December 2021 was 2.19, which indicates strong solvency. The current ratio was 2.06, which is lower than the ratio of 4.10 in 2020 due to the increase in funds held on behalf of third parties and accounts payable, but which nevertheless indicates that UNICEF was in a comfortable position with regard to its short-term commitments at the end of 2021.

19. The decrease in the quick ratio and cash ratio is essentially due to the increase in current liabilities and the smaller increase in current assets. During 2021, the increase in the entity’s current liabilities was 183 per cent, which was mainly driven by the funds held on behalf of third parties. The financial ratios of UNICEF in the past two years are set out in table II.2.

Table II.2
Financial ratios

Description of ratio	*31 December 2021*	*31 December 2020*
Total assets: total liabilities[a]		
Assets: liabilities	2.19	3.16
Current ratio[b]		
Current assets: current liabilities	2.06	4.10
Quick ratio[c]		
(Cash + short-term investments + accounts receivable): current liabilities	1.82	3.37
Cash ratio[d]		
(Cash + short-term investments): current liabilities	1.37	2.02

Source: UNICEF financial statements for 2020 and 2021.

[a] A high ratio indicates an entity's ability to meet its overall obligations.

[b] A high ratio indicates an entity's ability to pay off its current liabilities.

[c] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

[d] The cash ratio is an indicator of an entity's liquidity; it measures the amount of cash, cash equivalents or invested funds that are in current assets to cover current liabilities. UNICEF adjusted the calculation of its cash ratio to properly reflect the impact of assets related to procurement services, by adding the amount of Gavi, the Vaccine Alliance ($3.19 billion), in the numerator to correct distortion in the ratio caused by the related liability in funds held on behalf of third parties included in the denominator.

3. Loan liabilities

Loan without General Assembly authorization

20. In January 2021, UNICEF management informed the Executive Board that UNICEF was developing a financing instrument (a loan) to generate financial resources to facilitate the level of investment necessary in private sector fundraising for impactful revenue that could help finance the organization's country programmes.

21. This financing instrument is an issuance of notes by the World Bank under its Capital at Risk Notes programme in the form of a forward flow arrangement for $50 million repayable in five years.

22. Repayment is collected from donations to UNICEF from monthly pledges coming from unearmarked private-sector fundraising in the emerging-market countries. The financing instrument proceeds would be utilized strategically in those countries to retain existing donors, to acquire new donors to replace those lost through natural attrition and to widen the donor base.

23. The Executive Board, during its first regular session, held from 9 to 12 February 2021, authorized the Executive Director, with the advice of the UNICEF Comptroller, to execute the financing instrument in partnership with the World Bank to raise additional financing for investment in private sector fundraising, as a pilot project, and requested UNICEF to present to the Executive Board information on the opinion of the Office of Legal Affairs on the agreement with the World Bank instrument, principal amount, interest costs and other associated fees and a written assessment of the need to update the UNICEF Financial Regulations and Rules.

24. UNICEF and the World Bank concluded, on 25 February 2021, a forward flow agreement, in which it was determined that the loan to UNICEF was equal to the

amount of $50 million, less the aggregate amount of any costs and expenses agreed by the parties to be payable by UNICEF.

25. In March 2021, UNICEF received the $50 million and recorded the amount as a liability. It was measured at amortized cost using the effective interest method. The contractual interest rate was taken to equal the effective interest rate, and it was used for the accrual of interest expenses. In the statement of cash flows, the loan was presented under financing activities, as "proceeds from forward flow arrangement".

26. The Board carried out a review of this new source of financing implemented by UNICEF and noted that this issue is not expressly authorized under the UNICEF Financial Regulations and Rules, regulation 2.5 of which states that "in regard to any matter not specifically covered by these regulations, the appropriate provisions of the Financial Regulations of the United Nations shall, mutatis mutandis, apply".

27. In addition, regulation 2.3 states that "the Executive Director shall administer these regulations consistently with the applicable resolutions and decisions of the General Assembly, the Economic and Social Council and the Executive Board".

28. Taking into consideration the fact that the forward flow arrangement constituted a loan, and that the taking of loans by UNICEF is not expressly authorized under the UNICEF Financial Regulations and Rules, the Board concluded that UNICEF should have sought the express authorization of the General Assembly before proceeding with the financing arrangement.

29. Subscribing to an agreement concerning a financing instrument that commits future contributions without express authorization under the UNICEF Financial Regulations and Rules could entail unnecessary costs and ultimately affect the organization's reputation.

30. In this respect, it should be recalled that the Office of Legal Affairs elaborated on the Secretary-General's authority to borrow funds in a note dated 26 September 1995, in which it stated that "it has never been doubted by this Office and, the Board understands, by past Controllers, that the United Nations Financial Regulations and Rules require that specific authority from the General Assembly would be required for the United Nations to borrow". It further noted that borrowing from sources external to the Organization with the authority of the General Assembly is exceptional and subject to strict conditions; however, such measures should not be deemed a precedent for the future financing of the expenses of the United Nations. It concluded that the Secretary-General would need authorization from the General Assembly to borrow funds from any source external to the Organization, including the World Bank.

31. This is consistent with the opinion given by the Office of Legal Affairs on 18 May 2021 in reply to the request made by UNICEF management on 24 March 2021. In fact, the Office clearly advised that if UNICEF desired to engage in further transactions of such a nature, it should first seek the approval of the General Assembly.

32. The Board acknowledges the innovative approaches that UNICEF has taken to raise additional funds to enable it to fulfil its mandate. However, such new approaches should always be carried out in strict compliance with its regulations in order to avoid exposing the organization to eventual financial risks.

33. **The Board recommends that UNICEF obtain specific authority from the General Assembly in the event of borrowing funds from any source external to the Organization.**

34. **The Board recommends that UNICEF comply in a strict manner with current regulations whenever using financing instruments for fundraising that may raise a financial liability.**

35. UNICEF accepted the recommendations.

4. Management of implementing partners

Closure of action points without evidence

36. The UNICEF procedure on a harmonized approach to cash transfers to implementing partners establishes that country offices must determine the appropriate follow-up actions on negative results from assurance activities, as well as monitor the outstanding follow-up actions from high priority recommendations.

37. In May 2019, UNICEF issued guidance on follow-up to financial findings from spot checks and audits. The guidance recommends steps to be taken by UNICEF country offices in following up on high priority (risk) findings from spot checks or audits conducted on cash transfers to implementing partners.

38. The above-mentioned guidance indicates that the follow-up actions must be recorded in the action points module of eTools, along with information on the person responsible and the due date. Furthermore, it provides some examples of follow-up actions, such as requesting additional supporting documentation, refunding ineligible and/or unsupported expenses and impairment, among others.

39. On 9 July 2021, the Director of the Division of Data, Analytics, Planning and Monitoring sent an instruction to UNICEF staff concerning how to proceed with incomplete financial assurance reports and outstanding action points. Offices were instructed to cancel all financial assurance engagements from 2018 to 2020 that were showing up as "not finalized" and automatically close all outdated action points in the financial assurance module as part of a strategic global decision.

40. Based on the information provided by UNICEF, the Board reviewed the status of the action points recorded in eTools as at 31 July 2021. It was observed that, from August 2018 to July 2021, a total of 7,034 action points were recorded in eTools, 5,860 of which were registered as "completed" and 1,174 of which remained "open" (see table II.3).

Table II.3
Action points status

Year	*Total action points*	*Completed action points*	*Open action points*
2018	229	229	0
2019	1 922	1 921	1
2020	3 151	3 034	117
2021	1 732	676	1 056
Total	**7 034**	**5 860**	**1 174**

Source: Based on data provided by UNICEF.

41. The Board carried out an analysis of the completed action points and the findings observed during 2020 and 2021 in the country offices under the scope of the audit.

42. For the South Sudan country office, of a total of 214 action points, 211 were considered completed. The Board observed, however, that for some of those action points there was no supporting evidence of any remedial actions taken. In fact, from a sample of 30 action points marked as completed and closed by the Division of Data, Analytics, Planning and Monitoring as part of a strategic global decision, 23 action points were related to ineligible expenses or unsupported expenditures and 8 of those

were considered completed, although there was no conclusion from the implementing partners with regard to the agreed actions.

43. In the case of the Yemen country office, 1,279 action points from a total of 1,493 were listed as completed, and some of these also lacked evidence of sufficient remedial actions. From a sample of 30 completed action points, 12 were related to ineligible expenses or unsupported expenditures and 5 of those were considered completed, although there was no conclusion from the implementing partners with regard to agreed actions (such as refunding funds or providing supporting documentation) or the internal action taken by the country office (such as initiating an impairment process).

44. The Board is of the view that closing action points automatically without adequate actions being taken by UNICEF field offices may impact the main purpose of the assurance activities. It must be pointed out that the objective of assurance activities is to assess whether funds provided to the implementing partners of UNICEF are being used according to the programme documents, as well as to monitor whether field offices are properly following up on the findings raised during those assurance activities, particularly when significant issues are identified.

45. Furthermore, an inappropriate evaluation of the implementing partners' expenditures may lead to inaccurate recording of impairment of the accounts receivables closing balances.

46. The process of closing action points must always be supported by sufficient and clear information concerning the action taken by field offices so that the organization can prove that funds have been correctly spent and that detected inefficiencies or inaccuracies have been corrected.

47. **The Board recommends that the Division of Data, Analytics, Planning and Monitoring develop guidance on the action points for follow-up, in order to ensure that the actions taken have been properly completed in eTools.**

48. **The Board recommends that the Division of Data, Analytics, Planning and Monitoring assess whether ineligible expenditures reported in an action point should be impaired through the regional harmonized approach to cash transfers focal point, in line with UNICEF policy.**

49. **The Board recommends that UNICEF make sure that the actions taken by the South Sudan and Yemen country offices appropriately address the findings and recommendations resulting from closed assurance activities.**

50. UNICEF accepted the recommendations.

5. Private sector fundraising reports

Delays in various reporting activities

51. The cooperation agreements and the reporting activities established by the Private Fundraising and Partnerships Division and agreed with the National Committees and UNICEF country offices require the submission of 10 mandatory reports (6 from National Committees and 4 from the country offices) during the year through the IMPACT platform.

52. For its review, the Board focused on the reports which are relevant for the entity in the decision-making process. In this regard, five reporting activities were evaluated in the National Committees and three in the country offices.

53. The quarterly financial scorecard, which is the report on private sector fundraising activities related to actual gross revenue, documents the budgets and

latest estimates for the current year, providing management with a holistic view of a National Committee's or a country's performance.

54. The cash forecast report provides the basis for the forecasting of private sector payments and cash flows and managing foreign exchange risk, and gives valuable input into the overall investment strategy of UNICEF.

55. The revenue and expenditure report concerning the annual financial results and key fundraising indicators for UNICEF provides fundraising, financial performance and revenue generation data that is essential for management performance analysis and benchmarking purposes.

56. In addition, the external auditors of the National Committee certify the revenue and expenditure reports in order to confirm their alignment with the audited financial statements.

57. During its review on the IMPACT platform (as at 1 December 2021), the Board observed that National Committees and country offices did not provide some of the above-mentioned reports in a timely manner. Furthermore, as shown on the IMPACT platform, in some cases reports were not provided at all.

58. The Board noted that an average of 39 per cent of the quarterly financial scorecard, cash forecast and revenue and expenditure workflow reports of National Committees and country offices were not delivered on time (see table II.4). Seventy-three per cent of the audited financial statements and certified revenue and expenditure reports of National Committees were not delivered on time.

Table II.4
Percentage of reports that were not delivered on time

	National Committees	*Country offices*
Quarterly financial scorecard	42	73
Cash forecast	27	34
Revenue and expenditure workflows	25	30
Average	**31**	**46**

Source: Based on information provided by UNICEF.

59. The Board is of the view that delays in the submission of the above-mentioned reports may affect the ability of the Private Fundraising and Partnerships Division to assess in a timely manner the overall situation of UNICEF with regard to the private sector in various relevant aspects. Furthermore, timely information coming from the National Committees and country offices will enhance the ability of the Division to coordinate and provide support to National Committees and country offices in all private sector fundraising and partnership activities.

60. **The Board recommends that the Private Fundraising and Partnerships Division require National Committees and country offices to improve the number of reports submitted in a timely manner, in accordance with the reporting calendars.**

61. The Private Fundraising and Partnerships Division accepted the recommendation and stated its commitment to achieve a 50 per cent improvement in the meeting of submission deadlines.

Process of development and endorsement of private sector plans

62. The purpose of private sector plans is to lay out the financial and non-financial targets to be achieved by a country office for a specific period of time as well as to translate the UNICEF private sector IMPACT plan into country plans across country offices. They are mandatory and must be developed by each country office.

63. The UNICEF procedure on the planning of private sector fundraising in country offices stipulates that the country representatives should approve annual reviews of private sector plans and submit them for approval by the Director of the Private Fundraising and Partnerships Division and the Regional Director by the second Friday of December. Final approvals are provided by 31 January.

64. Accordingly, the process of endorsement of the private sector plans should be completed by the end of January, and the process is considered concluded when the status of the plan on the IMPACT platform is shown as "approved" by the Director of the Private Fundraising and Partnerships Division.

65. The Board observed from the IMPACT platform that, as at 1 December 2021, 20 country offices had not fully completed the private sector plans process for 2021.

66. As at 1 December 2021, neither the 20 country offices nor the Private Fundraising and Partnerships Division had completed the endorsement process for the 2021 private sector plans.

67. Subsequently, in the period from 1 to 15 December 2021, the Private Fundraising and Partnerships Division managed to approve 13 (65 per cent) of the country office private sector plans for 2021, with 7 (35 per cent) remaining to be approved.

68. The Division indicated that the approval of 2021 private sector plans on the IMPACT platform was delayed owing to structural changes in the Division's investment strategies for country offices. In fact, following approval by the Executive Board in the first quarter of 2021, the Division shifted focus from raising funds for development programmes to reviewing and approving country office investment applications for World Bank funding in the second quarter of 2021.

69. The Division added that the review of investment applications included detailed information about activities, targets, return on investment and repayment schedules, which aligned with the rolling private sector plans overall. Hence, although not all private sector plans appear as "approved" on the IMPACT platform, the Division has extensively reviewed and approved country office private sector fundraising activities for which investment strategies are needed.

70. In addition, the Division stated that it had not formally assessed a new timeline for completion of private sector plans, nor had it duly documented the decision-making process with regard to delaying the private sector plans process for 2021, since it was verbally communicated to regional support centres.

71. The Board is of the view that if private sector plans are not developed in a timely manner, as established in the UNICEF procedure mentioned above, their usefulness may be compromised in relevant aspects, such as providing strategic alignment, prioritization and effective coordination with country offices on private sector fundraising activities and ensuring that the level of investment in fundraising is not lower than the amount required to reach planned goals.

72. Accordingly, having those private sector plans approved by 31 January is relevant to having strategically aligned, adequate and sufficient targets for private sector fundraising activities in country offices.

73. While delays due to structural changes experienced by the Private Fundraising and Partnerships Division in early 2021 are acknowledged, the Board is of the opinion that the process could have been addressed earlier than mid-December and that relevant information such as the decision to delay the process of private sector plans should have been duly documented and communicated in order to provide for clear accountability.

74. **The Board recommends that the Private Fundraising and Partnerships Division duly develop and approve private sector plans in coordination with the country offices and in compliance with the applicable timeline.**

75. **The Board recommends that the Private Fundraising and Partnerships Division elaborate formal documentation for meetings held with regional offices and/or country offices and distribute it among stakeholders.**

76. The Private Fundraising and Partnerships Division accepted the recommendations.

6. Information and communications technology

Insufficient documentation of compensating control in the segregation of duties process

77. UNICEF financial and administrative policy establishes that in UNICEF there must be a reasonable segregation of duties to minimize the risk of fraud or error and to promptly detect them. When this is not possible and conflicting roles are assigned to the same person, justification and compensating controls must be documented so that oversight units are aware of the increased risk and how it is managed.

78. The user access management guide in VISION describes the applicable compensating controls and defines two options for handling conflicting roles: remediation and mitigation. Mitigation occurs when an office cannot resolve the conflict and is willing to accept the risk associated with the segregation of duties violation. In such instances, the office must document in the Infor Risk and Compliance System the compensating controls it has put in place to mitigate the risk associated with the lack of segregation of duties.

79. The aforementioned guide describes three compensating controls that offices can apply to mitigate their conflicts:

(a) Ensuring that individuals with conflicting roles do not act in conflicting roles on the same transaction;

(b) Monitoring reports, such as weekly and/or monthly reports, to review all transactions where the individuals assigned with conflicting roles acted on those conflicts;

(c) Additional oversight, such as someone assigned to review all transactions before payment can be made.

80. The Board noted from its review that on VISION there were 1,711 registered cases of users with issues in their segregation of duties, on which the entity had applied 1,290 compensating controls. Of those, 285 were related to the officer-in-charge and 136 were related to the process of mitigation.

81. The Board evaluated 88 mitigated segregation of duties cases that covered nine UNICEF offices, including country offices, regional offices and headquarters. It was verified that 74 cases (84 per cent) had the following description as a compensating control: “conflicting roles not to be used on same transaction”. Of the 74 cases, 63 (85 per cent) did not have sufficient supporting documentation in the Infor Risk and Compliance System.

82. In addition, it was noted that these compensating controls were used in all types of segregation of duties cases, without distinguishing the role type or the level of criticality that the segregation of duties represented.

83. The Board is concerned that the compensating controls commonly used by UNICEF to mitigate conflicting roles rely on a standard statement that does not have elements that can be measured or verified by an effective control to detect or prevent errors and fraud.

84. The Board is of the view that the risks resulting from the conflicts with respect to the segregation of duties must be mitigated using effective controls or, in the event that UNICEF operations are not able to do so, these cases must be duly monitored in order to prevent situations in which an individual with conflicting roles is responsible for an entire transaction cycle, without any internal checks.

85. **The Board recommends that UNICEF strengthen and describe the monitoring of conflicting roles assigned when segregation is not possible, to ensure that compensating control mechanisms are effective.**

86. UNICEF accepted the recommendation.

Non-execution of a full disaster recovery exercise by the Information and Communication Technology Division

87. The UNICEF policy on management of financial master data establishes that one of the controls on the security of master data belongs to the disaster recovery process.

88. In this context, UNICEF implemented an information and communications technology (ICT) business continuity and recovery plan, which provides guidelines on disaster recovery plans and disaster recovery exercise processes at UNICEF headquarters. The plan specifies areas to be evaluated, responsibilities and the process to be followed in the Division when the disaster recovery plan is activated.

89. With regard to the execution of drills, the procedure stipulates that divisional simulation and recovery exercises are expected annually.

90. The Board requested information from UNICEF on the disaster recovery exercises. After analysing the information provided, as well as the data obtained as follow-up to the previous year's recommendations,[1] it was concluded that UNICEF had not conducted a full disaster recovery exercise at UNICEF headquarters since 2017.

91. The Board considers that the non-execution of the annual disaster recovery exercise may affect the effectiveness of the recovery process of ICT resources in the case of a disaster. As a consequence, should UNICEF face a disaster without an accurate and updated plan, the continuity of its operations could be affected.

92. The Board is of the view that the execution of a full disaster recovery exercise is needed to ensure adequate operational continuity of UNICEF activities that depend on the ICT infrastructure, especially given the substantial changes that the Information and Communications Technology Division is experiencing.

93. **The Board recommends that UNICEF ensure that comprehensive testing of the information and communications technology business continuity and disaster recovery plan is carried out regularly, including necessary simulation exercises at defined intervals, as the Board previously recommended (see A/75/5/Add.3, chap. II, para. 244).**

94. UNICEF accepted the recommendation.

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[1] A/75/5/Add.3 chap. II, para. 244.

7. Programme management

Weaknesses in emergency preparedness plans

95. The UNICEF procedure on preparedness for emergency response establishes that emergency preparedness consists of the mechanisms and systems put in place in advance to enable an effective and timely emergency response to humanitarian crises, based on analysis of the risks in a particular context, taking into account national and regional capacities and UNICEF comparative advantage. Preparedness includes, among other things, developing the capacity of headquarters divisions and regional offices to support country offices.

96. The emergency procedure stipulates that country offices must elaborate an annual emergency preparedness plan. Country office representatives must ensure that, every year, their offices use the emergency preparedness platform to complete a four-step preparedness planning process in order to respond to their priority hazards.

97. Step 1 involves risk analysis. Country offices conduct risk analyses as part of their situation analyses to rank identified hazards according to the risks they pose. The country offices can then build risk profiles, from which they can identify at least two priority hazards for which they define scenarios and UNICEF responses. The country offices update their risk analyses at least every six months to identify changes (if any) in the likelihood or expected impact of each hazard. Headquarters and regional offices systematically monitor the risks that hazards pose regionally and globally, as a complement to country offices' monitoring and a contribution to global interagency risk monitoring.

98. In step 2, country offices define scenarios. For each of the priority hazards, the country offices identify likely humanitarian implications, such as the scale of the emergency, the geographic area affected, priority needs for women and children, damage to infrastructure and the capacities and constraints of the Government and major actors (including development and private sector partners) to respond.

99. In step 3, country offices establish key elements of the UNICEF response. They outline their intended strategy and plans to support the national humanitarian response, feasible implementation modalities, likely obstacles and constraints and indicative resource requirements.

100. Lastly, in step 4, country offices develop preparedness actions. They analyse the gaps in their capacities, procedures and coordination systems to deliver the response outlined in step 3 and develop preparedness actions, having the minimum preparedness standards as a starting point.

101. According to the emergency procedure, regional and headquarters directors must ensure that regional offices and headquarters follow the same planning process as country offices, except that step 2 is omitted and, in step 3, regional offices and headquarters determine their strategies and plans to support country offices in a crisis.

102. In the UNICEF programme policy and procedure guidance, it is observed that preparedness has a high return on investment. In this regard, it is noted in the guidance that recent studies of 84 preparedness interventions by UNICEF, the World Food Programme and the Office of the United Nations High Commissioner for Refugees found that every $1 spent on preparedness yielded an average of $4 in savings in the next emergency response, increased the speed of response by an average of 14 days and delivered significant carbon savings.

103. As mentioned above, the offices use the emergency preparedness platform to complete the four-step preparedness planning process. The platform, which was elaborated by the Office of Emergency Programmes, is an online tool that helps teams

to analyse risks, assess and monitor their operational preparedness and identify high-return actions to prepare for immediate response before an emergency happens.

104. In May 2020, as a complement to the emergency procedure, UNICEF issued a technical note on preparedness for the onset of a new emergency during the COVID-19 pandemic. The technical note set out the practical steps for adapting country offices' preparedness to respond to a new emergency related to the COVID-19 pandemic.

105. The Board reviewed the status of the emergency preparedness plans and risk analyses carried out by the New York headquarters' divisions, the 7 regional offices and the 130 country offices on the emergency preparedness platform. The following issues were identified:

(a) At New York headquarters, it was noticed that part of the documentation uploaded to the emergency preparedness platform was not up to date, and some of it was pending approval;

(b) The emergency preparedness plans of 77 country offices were overdue by between one and three and a half years. Risk analyses for 102 country offices were overdue by between six months and three and a half years. In addition, the Board detected that in 80 country offices the technical note was not used.

106. The Board considers that the absence of up-to-date and approved emergency preparedness plans and risk analyses for headquarters divisions, regional offices and country offices could affect the alignment of offices across UNICEF with respect to the planning processes. As mentioned above, preparedness has a high return on investment. If the planning processes of UNICEF offices are not aligned, savings in emergencies costs might not be achievable.

107. In addition, since the information on the emergency preparedness platform is not complete, UNICEF headquarters and the Office of Emergency Programmes can only fully analyse and monitor the risks that hazards pose regionally and globally. In that regard, country offices with overdue plans would not contribute to the global interagency risk monitoring expected under the emergency procedure.

108. Finally, the Board is well aware that risks were largely managed outside of the emergency preparedness platform and that the technical note is optional. However, UNICEF responses to the new challenges posed by COVID-19 have highlighted the need to adapt and innovate by strategically incorporating lessons learned into action plans. Accordingly, UNICEF should update its emergency preparedness plans to cover pandemic hazards.

109. **The Board recommends that UNICEF headquarters make the necessary arrangements in order to maintain its emergency preparedness plans and minimum preparedness standards up to date and approved.**

110. **The Board recommends that UNICEF strengthen its emergency preparedness planning process with the lessons learned from COVID-19, in order to anticipate possible hazards.**

111. UNICEF accepted the recommendations.

Inadequacies concerning minimum preparedness standards

112. The emergency procedure states that headquarters sets minimum preparedness standards and minimum preparedness actions for country offices, regional offices and headquarters. These are mandatory minimum standards and actions designed to significantly increase UNICEF preparedness for an emergency. Offices are encouraged to undertake preparedness activities beyond this minimum.

113. For headquarters and regional offices, the emergency procedure establishes 9 and 10 minimum preparedness standards, respectively. The first two standards are process-related and automatically calculated by the system. They are: "analyse and monitor risks" and "adapt headquarters/regional offices preparedness to the global risks and capacity context". For the regional offices, the third standard is "step up preparedness in case of high risk".

114. With respect to minimum preparedness standards for country offices, the emergency procedure establishes eight standards corresponding to the countries' risk levels (low, medium or high-risk countries). Each risk level must reach a certain number of benchmarks to meet the minimum preparedness standards requirements, which are determined as follows:

Table II.5
Number of benchmarks by risk level

Risk level	*Number of benchmarks*
Low-risk countries	8
Medium-risk countries	18
High-risk countries	27

Source: Based on data provided by UNICEF.

115. The minimum preparedness standards are set out on the emergency preparedness platform. In this regard, the emergency procedure stipulates that country offices must use the emergency preparedness platform to complete the four-step preparedness planning process, develop contingency plans, self-assess to what extent they have met the benchmarks of the minimum preparedness standards and identify preparedness actions. Regional offices and headquarters are to use the emergency preparedness platform to provide quality control, analyse country offices' needs for support and develop their own preparedness plans.

116. The platform provides preparedness scores, which indicate the level of preparedness of headquarters, regional offices and country offices. The preparedness score, which is the average of all plan scores,[2] facilitates self-assessment, monitoring and decision-making at all levels.

117. Directors at headquarters ensure that headquarters meets the minimum preparedness standards and provides technical support to regional offices and country offices in enhancing their preparedness.

118. The Board reviewed the actions taken by headquarters to comply with the preparedness planning process on the emergency preparedness platform and observed that the definition for minimum preparedness standards applied at headquarters and regional offices had not been updated since March 2018, though the emergency procedure stipulated that they should be updated in 2020.

119. In addition, the Board reviewed the levels of compliance with the 10 minimum preparedness standards defined for each regional office. The Board noted that, in some cases, neither the status nor evidence of the assessment was uploaded, and several minimum preparedness standards were not completed or approved.

[2] The score of an individual plan is the weighted average of the individual minimum preparedness standards.

120. Finally, with the aim of assessing the use of the minimum preparedness standards by country offices, the Board reviewed a random sample of 24 country offices in eight low-, eight medium- and eight high-risk countries.

121. In country offices in low-risk countries, it was found that no country met all the required benchmarks. In some of them, the mandatory minimum preparedness standards had expired, and in others there were cases with documentation “not based on a template”, empty cases, incomplete files and undated documents.

122. With regard to country offices with medium-risk profiles, it was observed that in four of the offices the lack of data precluded an assessment. The other four offices were considered to have met the benchmarks; however, it was detected that for at least 9 of the 18 benchmarks there were cases of empty templates, expired documents, attached files not based on a template and undated documents. They also had benchmarks with an overdue commitment date.

123. Lastly, regarding country offices with high-risk profiles, some mandatory minimum preparedness standards had expired, and there were cases with empty or incomplete documentation, although they were considered to have met the benchmarks. None of the analysed country offices met all the mandatory benchmarks.

124. The Board is of the view that if headquarters and regional offices do not have their minimum preparedness standards duly approved, there could be a risk of minimum emergency preparedness activities not being properly addressed by the offices, and thus essential elements could be affected, such as their ability to adapt, in terms of preparedness and capacity, to global and/or regional risks, especially in high-risk contexts. In addition, if the risks of the particular context and the existing national capacities to deal with the emergency are unknown, the response to a humanitarian crisis could be ineffective and inopportune.

125. **The Board recommends that UNICEF update the minimum preparedness standards for headquarters and the regional offices.**

126. **The Board recommends that UNICEF headquarters provide further training to regional offices, with the goal of strengthening the oversight and quality control exercised by the regional offices.**

127. UNICEF accepted the recommendations.

Deficiencies in the emergency preparedness plans of field offices

128. With regard to roles and responsibilities, the emergency procedure stipulates that country representatives shall ensure that country offices meet the minimum preparedness standards and that they continually enhance their preparedness. Chiefs of field offices and heads of programme and operations sections are responsible for preparedness within their respective areas. Regional directors ensure that regional offices meet the minimum preparedness standards and provide technical assistance, oversight and quality control to country offices to enhance their preparedness levels. At both the regional and the country level, the planning and implementation of preparedness activities involves key staff from all programme and operations sections, including staff or focal points responsible for enterprise risk management, organizational resilience management and/or business continuity management and security risk management.

129. It must be added that regional offices support country offices in maintaining adequate preparedness levels and engage in external forums on preparedness. They equip themselves with the necessary capacity to analyse and monitor risks in the region and to support country offices in the event of crises that exceed the capacity of country offices to respond. Regional offices provide quality control of the

preparedness documents and data developed by country offices in accordance with the emergency procedure and preparedness guidance and tools.

130. With the aim of identifying the status of the emergency preparedness plans and the risk analyses that enable the offices to prepare the response to possible hazards, the Board reviewed the information uploaded on the emergency preparedness platform of the field offices under the 2021 audit scope. As a result of the analysis, a number of issues were identified.

131. With regard to the uploading of the preparedness plans, the Middle East and North Africa Regional Office, did not fully complete or approve the three steps to be carried out by the Regional Office on the emergency preparedness platform. In addition, during the scenario definition step, the country offices identified 73 risks; however, none of these was completed or approved by the country representatives, despite the Regional Office's monitoring. As concerns the response step, the Regional Office had not recorded its support to the country offices on emergency responses on the emergency preparedness platform.

132. With regard to the preparedness action step, no minimum preparedness standards had been addressed. Finally, the preparedness plan of the Regional Office was finalized in October 2018; however, it was not uploaded to the emergency preparedness platform and it has not been updated, in spite of the fact that an update of the emergency preparedness plan must be performed every year. In addition, the technical note was not addressed.

133. With respect to the first step of the preparedness planning process, the Mozambique country office, which is under the purview of the Eastern and Southern Africa Regional Office, identified six risks, and none of them had been approved by the country representative. Furthermore, the second and third steps were last updated on 5 December 2019 and were still pending approval. Finally, with regard to the fourth step, the minimum preparedness standards were last completed in December 2019, and none of them had been approved.

134. The Board considers that the absence of approved and up-to-date emergency preparedness plans and risk analyses hinders the alignment across the region and the country offices for effective emergency response. As mentioned above, preparedness has a high return on investment. If the planning processes of UNICEF offices are not aligned, quick responses and savings in that regard might not be achievable.

135. Furthermore, if the regional and country offices do not have their minimum preparedness standards duly approved and updated, the integrity and completeness of the data on the elaboration and implementation of those plans could be jeopardized, which could result in an inaccurate preparedness score.

136. The UNICEF response to the new challenges of the COVID-19 pandemic has highlighted the need to adapt and innovate by strategically incorporating lessons learned into action plans. In this regard, the Board notes the importance of preparing for new hazards by updating emergency preparedness plans annually.

137. **The Board recommends that the Middle East and North Africa Regional Office and the Mozambique country office make the necessary arrangements in order to approve and update the documents and steps that comprise the emergency preparedness planning process on the emergency preparedness platform in due time.**

138. UNICEF accepted the recommendation and confirmed that information had been updated and approved on the emergency preparedness platform.

8. Supply chain

Absence of end-user monitoring of supplies

139. In accordance with paragraph 3.1 of the UNICEF Supply Manual, the supply function carried out in each country office is directly linked to the appropriate functions of the Supply Division in facilitating and implementing the supply process. Specifically, the country office supply function includes arranging pre- and post-delivery inspection, as required, evaluating the suitability of supplies at project locations, preparing and obtaining acknowledgement of receipt of goods from Governments and other customers, and arranging end-user monitoring of supplies.

140. The Board conducted a review of the reports of implementing partners who had received supplies from UNICEF during 2021, by reviewing reports of programme visits by the Mozambique and South Sudan country offices. The Board observed that no end-user review had been duly carried out in either of the offices during the period.

141. According to the standard operating procedure for end-user monitoring of supplies from 2021, an end-user review process should be carried out in order to evaluate the quantity, quality, effectiveness, efficiency and punctuality of the delivery of supplies to users, as well as whether the supplies were delivered and used in an appropriate way by the beneficiaries. In this regard, the Board noted that no end-user monitoring of supplies delivered by implementing partners was performed by the Mozambique country office.

142. On the same subject, the Board noted that the South Sudan country office planned to perform end-user monitoring on three levels: (a) monitoring of supplies at transit centres; (b) monitoring of supplies at the end-user level; and (c) monitoring of supplies at the beneficiaries level through a third party. However, owing to travel restrictions related to COVID-19, limited funding and limited third-party monitoring capacity in South Sudan, the monitoring was only carried out in the programme visits. The Board performed a review of the programme visits made to implementing partners as at 30 September 2021 and noticed that some programme visit reports were lacking or incomplete and others were merely standard reports without end-user specifications.

143. The Board is of the view that inadequate monitoring of supplies delivered to implementing partners for the end beneficiaries exposes the organization to potential misuse of those supplies, such as fraudulent activities (e.g., theft or sale of supplies), losses or delivery of low quality supplies or supplies in poor condition, which could affect the organization’s reputation.

144. The end-user monitoring process will generate valuable feedback to UNICEF to enable it to properly evaluate the quantity, quality, effectiveness, efficiency and timeliness of the delivery of supplies to beneficiaries, as well to oversee whether supplies are being used by implementing partners for the designated beneficiaries. In this manner, the organization will be able to trace the impact that the delivered supplies are having on the communities, with the aim of improving the supply chain and ensuring timely and sustainable access to high-quality basic products for end beneficiaries.

145. **The Board recommends that the Mozambique country office apply the end-user monitoring review for supplies delivered by implementing partners, in agreement with the Mozambique country office standard operating procedure for end-user monitoring of supplies.**

146. **The Board recommends that the South Sudan country office, in coordination with the Eastern and Southern Africa Regional Office, finalize the**

end-user supply monitoring process review and adopt a procedure to strengthen the end-user monitoring of supplies delivered by implementing partners.

147. UNICEF accepted the recommendations.

Inaccuracies in supply and procurement planning of essential goods

148. Paragraph 2.1 of the Supply Manual stipulates that programme staff, with support from supply staff, are involved in reviewing the situation facing children and their supply needs. They identify major gaps in meeting such needs and advocate for national supply systems that ensure that basic supplies are available to children. During the initial planning phase, programme and supply officers review the needs of children and define the UNICEF role in the supply function.

149. Paragraph 2.2 of the Supply Manual indicates that supply planning is the responsibility of programme staff, supported and advised by supply staff, which should engage proactively and strategically earlier in the programme planning. Supply plans should focus on major and strategic workplan activities with high impact, and value-added supply interventions are to be reviewed regularly.

150. The Board analysed the purchase orders for strategic materials, such as medical renewable supplies, pharmaceutical products, dignity kits and vaccines, among others, representing $28.7 million in purchases of goods, issued by the South Sudan country office as at 30 September 2021. From its analysis, the Board noted that:

(a) There were 20 supplies of strategic materials not considered in the 2021 supply plan. These were medical renewable supplies, pharmaceutical products and dignity kits, among other things, and were acquired for a total of $5.88 million;

(b) There were 17 supplies of strategic materials, representing 1,304,640 strategic units less than the amounts planned. These were related to nutrition, water sanitization, education, pharmaceutical products and vaccines, and were acquired for a total of $14.88 million.

151. The management of the South Sudan country office indicated that the project of the Global Fund to Fight AIDS, Tuberculosis and Malaria was not included in the annual supply plan because it was still in discussion with the Global Fund on the "making of the grant". The same pertained to the World Bank project. In addition, in some cases purchases could not be made because the funds (grants) that the sections planned to use for the procurement had not yet been received. There were also some delays due to the COVID-19 pandemic.

152. The Board is of the view that the acquisition of strategic products that were not considered in the annual supply plan denotes weaknesses in the definition of needs or implies that the office has not taken into consideration all of the factors involved in supply planning, such as realistic lead times for procurement, delivery times, transit time, shipping mode, customs clearance, transit storage, transport and distribution, installation and related costs.

153. Moreover, the lack of nutrition, water sanitization, education, pharmaceutical and vaccine supplies (all strategic elements) could result in delays in the implementation of workplan activities.

154. **The Board recommends that the South Sudan country office monitor its supply plans and update them in line with the programmatic needs.**

155. **The Board recommends that the Programme Section of the South Sudan country office, with the support of the Supply Section, continue to strengthen its monitoring of the procurement process.**

156. UNICEF accepted the recommendations.

9. Inventory management

Insufficient documentation for the calculation of the current replacement cost

157. Paragraph 17 of IPSAS 12 stipulates that inventories shall be measured at the lower of cost and current replacement cost where they are held for: (a) distribution at no charge or for a nominal charge; or (b) consumption in the production process of goods to be distributed at no charge or for a nominal charge.

158. In paragraph 9 of IPSAS 12, the current replacement cost is defined as the cost the entity would incur to acquire the asset on the reporting date.

159. Under the current methodology, UNICEF can use the pricing information in its current long-term arrangements to help in the establishment of the current replacement cost of the supplies in its controlled inventories at the end of 2021. The experts in the Supply Division working with specific product categories may also be used as a resource to help establish the current replacement cost.

160. The Board reviewed the methodology applied to determine current replacement costs and the assessment performed of inventories of materials located in the Supply Division and country offices to ascertain the lower of the value of inventory recorded in the cost register at year-end or its current replacement cost.

161. The Board found that the value of 111 materials must be reduced in order to apply the current replacement cost for inventory in warehouses. However, it was observed that nine of them (representing $92.72 million, or 73 per cent of the total adjustment) were assessed on the basis of a price from a long-term arrangement that expired in July 2021. The total inventory write-down adjustment included in the UNICEF financial statements as at 31 December 2021 was $126.43 million.

162. During consultations with the Supply Division, it was explained that the current replacement cost of those materials was determined via discussions with the product experts, in compliance with the methodology. However, the Division did not provide sufficiently detailed information or supporting documentation of the process carried out by the product experts. The Board therefore could not perform an evaluation of the criteria, information and procedures that were reported.

163. The Board is of the view that updated information must be utilized in order to avoid an incorrect determination of the current replacement cost of the inventory materials at the reporting date.

164. Furthermore, the involvement of product experts in this assessment should be clearly detailed in the methodology, indicating the criteria, supporting documentation and procedures to be followed, with the aim of ensuring the transparency of the whole process.

165. **The Board recommends that the Supply Division verify that the documentation utilized for the calculation of the current replacement cost is aligned with the methodology to calculate the actual cost that the entity would incur to acquire the asset at the reporting date.**

166. **The Board recommends that the Supply Division update its methodology indicating minimum criteria and necessary supporting documentation whenever the calculation of the current replacement cost is determined through discussions with product experts.**

167. UNICEF accepted the recommendations.

10. Payroll management

Deficiencies in the management of overpayments

168. In accordance with the personal advances and recoveries management process instruction, personal advances and recoveries accounts are used to record balances staff owe UNICEF or UNICEF owes staff. These balances can arise from advances and entitlements that originate in payroll or from other transactions (e.g. travel or bills for the personal use of telephones) which originate in VISION modules. Overpayments, meaning payments or approval of benefits made by UNICEF to staff members in excess of their entitlements under the Staff Regulations and Rules of the United Nations and relevant UNICEF policies and procedures, are an example of balances that need to be recovered.

169. Accountability for the personal advances and recoveries accounts is split between the Global Shared Service Centre and the UNICEF offices. The administration of the personal advances and recoveries accounts is primarily the responsibility of the respective offices, while monitoring is managed by the Global Shared Service Centre, except in the case of travel payments and/or recoveries.

170. With regard to the regular monitoring performed by the Global Shared Service Centre to identify any overpayment as soon as possible, it is indicated in the UNICEF procedure on salary administration, advances to staff, retroactivity of payments and recovery of overpayments that the overpayments caused by an administrative error by UNICEF will be recovered in either an immediate one-time deduction from the staff member's salary or in instalments over a maximum period of 12 months not to exceed the duration of the staff member's contract.

171. On the other hand, the UNICEF procedure on impairment and write-offs of January 2022 indicates that the Comptroller has delegated authority to the Director of the Global Shared Services Centre to write off staff receivables recorded after a separation case has been submitted for processing by the Centre for up to a value of $500.

172. The procedure also indicates that if transactions resulting in a staff receivable are recorded after the separation request has been submitted, the amount due is processed as a write-off by the Global Shared Service Centre, with the approval of the Director of the Centre.

173. Finally, in accordance with the split in accountability for staff salary repayment, the Global Shared Service Centre is accountable for advising the office and/or staff of any subsequent action, if required, and the local office is accountable for working with staff and the Global Shared Service Centre until all overpayments are cleared from the system.

174. The Board reviewed the pending personal advances and recoveries cases posted in 2020 and 2021, and observed that:

(a) There were retroactive entries pertaining to 2012 originated in 2020 and 2021 based on a request received from the United Nations Joint Staff Pension Fund for their reconciliation;

(b) In 2020, 6 of the 17 pending recovery cases involved staff members with overpayments up to a value of $500 who were already separated from the entity and write-offs that had yet to be processed;

(c) In 2021, 29 of the 75 pending recovery cases, with overpayments of up to a value of $500, were retroactive entries pertaining to staff separated from the entity as of 2012 related to a reconciliation request by the United Nations Joint Staff Pension Fund received in 2021 for which write-offs had not been processed.

175. The Board is of the view that the lack of timely identification and management of overpayments across UNICEF offices hampers the efficiency of the process of personal advances and recoveries management, the objective of which is to reduce financial losses for the organization.

176. In addition, the Board considers that late processing of write-offs of overpayments could result in an overestimation of the entity's receivables.

177. **The Board recommends that the Global Shared Service Centre resolve the pending third-party reconciliation requests in accordance with the UNICEF policy.**

178. **The Board recommends that the Global Shared Service Centre identify the underlying reasons for overpayments by country offices and explore solutions to reduce them and raise the awareness of those UNICEF offices with regard to the management of personal advances and recoveries accountabilities to avoid financial losses.**

179. The Global Shared Service Centre accepted the recommendations.

C. Disclosures by management

1. Write-off of losses of cash, receivables and property

180. UNICEF reported to the Board losses in assets of $7.54 million (2020: $1.93 million) that had been written off during 2021, including inventory of $3.49 million (2020: $0.75 million), contribution receivables of $2.42 million, other receivables of $1.29 million (2020: $1.02 million), and property and equipment of $0.34 million (2020: $0.16 million).

2. Ex gratia payments

181. UNICEF reported that the Executive Director had authorized events that qualified for ex gratia payments totalling $415,350 for the year ended 31 December 2021. The payments were $405,350 for enhancements of residential security for locally recruited personnel in two UNICEF emergency offices and $10,000 for legal expenses of family members of a deceased UNICEF staff member.

3. Cases of fraud and presumptive fraud

182. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularity, including those resulting from fraud. Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

183. During the audit, the Board made enquiries of management regarding its oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management had identified or that had been brought to their attention. The Board also enquired whether management had any knowledge of any actual, suspected or alleged fraud, and this included enquiries of the Office of Internal Audit and Investigations. The additional terms of reference governing external audits included cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

184. UNICEF reported 114 cases (2020: 82 cases) of fraud or presumptive fraud closed during the year 2021 by the Office of Internal Audit and Investigations and 453 cases of fraud or presumptive fraud relating to cash-based transfer project cases

closed during the year 2021 (2020: 395 cases), which were investigated by an independent organization engaged by UNICEF.

185. For the year ended 31 December 2021, the total loss, gross of recoveries, for cases closed by the Office of Internal Audit and Investigation and cases investigated by independent organizations was $1,376,306, of which $163,195 was recovered and $533,174 was subject to a recovery payment plan agreed between the Comptroller and the implementing partner. The total financial loss on cases substantiated by the Office in 2021 amounted to $1,298,405, while those substantiated by independent organizations for project-specific cases on cash-based transfers amounted to an equivalent of $77,901.

D. Acknowledgement

186. The Board expresses its sincere appreciation and gratitude to the management and staff of UNICEF for the assistance and cooperation extended during the conduct of the audit.

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors

(*Signed*) **Hou** Kai
Auditor General of the People’s Republic of China

21 July 2022

Annex

Status of implementation of recommendations up to the year ended 31 December 2020

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
1	2016	A/72/5/Add.3, chap. II, para. 111	The Board recommends that UNICEF ensure the formulation of risk tolerance and risk appetite at appropriate operational levels.	The risk appetite statement was issued in April 2022. UNICEF kindly requests closure of this recommendation.	The Board reviewed the formulation of risk tolerance and risk appetite defined in the current risk policy. It was verified that UNICEF had formulated risk tolerance and risk appetite at appropriate operational levels. Therefore, the Board considers this recommendation implemented.	X			
2	2017	A/73/5/Add.3, chap. II, para. 55	The Board recommends that UNICEF get a verification of compatibility and customization process of VISION, including the travel management functionality, done.	UNICEF responded that travel management reporting is done through the travel dashboard, which offers offices estimates of costs and information on the number of trips open. Information currently comes from two different sources: (a) the travel module in VISION, which is based on the end date of the trip (trip certification); and (b) line reporting based on the posting date in VISION. The reports in VISION and the business intelligence tool reports show the same status (open or closed); however, if the trip is closed in VISION it will take 24 hours for the status to show correctly in the business intelligence reports.	The Board performed a review of the trips made during 2021 from the Middle East and North Africa Regional Office, by taking a sample of 30 trips registered in the business intelligence tool and comparing it with the information in VISION, with the aim of verifying whether the systems are comparable. There were no material differences between the systems. The recommendation is therefore considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
3	2018	A/74/5/Add.3, chap. II, para. 79	The Board recommends that the Middle East and North Africa Regional Office and the Latin America and the Caribbean Regional Office continue to close the gaps in the assurance activities related to the harmonized approach to cash transfers and ensure their timely implementation to achieve the minimum required targets in all the country offices. The Board also recommends that UNICEF review the status of assurance in other country and regional offices and, if required, take the measures necessary to fill the gaps.	The positive trend analysis of the harmonized approach to cash transfers key performance indicator since 2018 demonstrates the commitment of the Middle East and North Africa Regional Office to meeting the benchmarks for the key performance indicator. The Office has achieved significant improvement since 2018 and will continue to prioritize the completion of implementing partner assurance activities. The Latin America and the Caribbean Regional Office was able to meet the harmonized approach to cash transfers key performance indicator targets for programme visits and spot checks in 2020 for all indicated country offices identified in the Board's audit report and is on track to complete the assurance activities for 2021.	The Board recognizes the efforts and progress that UNICEF has made in carrying out assurance activities for the Middle East and North Africa Regional Office and the Latin America and the Caribbean Regional Office, increasing the percentages of completion in both cases. For the Middle East and North Africa Regional Office, the assurance activities exceeded the expected percentages, reaching 273 per cent in programmatic visits and 113 per cent in spot checks in 2021. In the case of the Latin America and the Caribbean Regional Office, assurance activities reached 88 per cent for programmatic visits and 76 per cent for spot checks, unlike the previous year, in which 34 per cent and 20 per cent were reached, respectively. The design of a workplan and the issuance of instructions detailing the timeliness of completion of the assurance commitments is also recognized. This recommendation is therefore considered implemented.	X			
4	2018	A/74/5/Add.3, chap. II, para. 140	The Board recommends that UNICEF constructively engage with the National Committees to have a reserve policy that is aligned with the maintenance of benchmark requirements for reserve levels.	In 2020, UNICEF performed an analysis in which the total amount of non-statutory reserves was divided by average monthly expenses, both reported in the 2019 revenue and expenditure report, to calculate the number of months that non-statutory reserves represent. The results of this analysis	The Board verified that UNICEF had effectively worked with the National Committees to have a reserve policy that was aligned with the maintenance of the reference requirements for reserve levels. This recommendation is therefore considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				showed that two National Committees (Hungary and Hong Kong) have reserves that represent seven months of their expenses. In the case of Hungary, the Committee was following the memorandum on reduction of expenses signed with UNICEF, and in 2020 it reached the expected benchmark of six months. In the case of Hong Kong, there was an agreement made during the joint strategic planning process to set aside a strategy plan fund to support the investments and growth of the Committee. This information demonstrates that all National Committees now have a reserve policy that is aligned with the benchmark requirements.					
5	2018	A/74/5/Add.3, chap. II, para. 169	The Board recommends that UNICEF prescribe the maximum time allowed for delivery of the items for each emergency type, enforce it strictly and take corrective action towards reducing the lead times to ensure a prompt supply response in emergencies.	Further to the integration of emergency orders in the key performance monitor report in 2019, the Supply Division has reviewed and specified the delivery times for each type of emergency in its updated procedure on emergency orders management. At the end of 2019, the timeliness of delivery of emergency orders was 74.5 per cent. In 2020, because of the pandemic and the impact on supply chains and	It was verified that UNICEF had improved its performance with respect to the key performance indicator on timeliness of delivery to the consignee by 5 per cent, reaching 72.8 per cent. In that regard, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				international transport, the performance in emergency response experienced a drop to 53.5 per cent of orders delivered on time. However, the continued and close monitoring of the timeliness of emergency orders has led the Supply Division to improve the performance significantly in 2021, and, as of the end of the year, 71.3 per cent of emergency orders had been delivered on time, despite the continued challenges and turmoil in logistics and international transport markets resulting in unprecedentedly long shipping lead times.					
6	2018	A/74/5/Add.3, chap. II, para. 204	The Board recommends that specific dates on which the final delivery of services was made be properly documented.	Management responded that the Latin American and the Caribbean Regional Office has implemented monthly monitoring reports for all country offices in the region for them to ensure good management of contracts, which includes tracking final delivery and closure of expired contracts.	In view of the actions taken by UNICEF and the review performed of the monthly monitoring reports, the Board considers this recommendation implemented.	X			
7	2018	A/74/5/Add.3, chap. II, para. 211	The Board recommends that investigation in the fraud case be completed in a timely manner and that necessary remedial action be taken.	UNICEF reiterated that the case was reported to the Office of Internal Audit and Investigations in accordance with UNICEF established rules and regulations. As a result of the investigation findings and in accordance with the UNICEF anti-fraud strategy, UNICEF blocked	The Board verified that UNICEF had blocked in the system the vendors that do not comply with the anti-fraud strategy. In addition, the Board reviewed the supporting documentation of this vendor, corroborating that the vendor with the issue had completed and delivered the work. This	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				the vendor for ethical reasons, followed up with the contractor and local authorities, and confirmed that all works due from the contractor were satisfactorily completed and delivered.	recommendation is therefore considered implemented.				
8	2019	A/75/5/Add.3, chap. II, para. 16	The Board recommends that UNICEF consider classifying the long-term components of the after-service health insurance investment portfolio as non-current investment.	UNICEF considers that the classification proposed in the recommendation would give the impression that the instruments in the UNICEF after-service health insurance investment portfolio are held for long periods of time or to maturity, which would not always be the case at UNICEF.	Taking into account the analysis carried out by UNICEF and the fact that the entity has disclosed additional information in the notes to the financial statements detailing the time horizon of the investments, the Board believes that this will provide more information to the stakeholders on the long-term components of the investments related to after-service health insurance. The recommendation is therefore considered implemented.	X			
9	2019	A/75/5/Add.3, chap. II, para. 52	The Board recommends that UNICEF identify key data elements that validate the eligibility of participants for end-of-service/post-employment benefits and incorporate the validation controls necessary to ensure the mandatory capturing of these key data elements in the system.	UNICEF management confirms that it has reviewed and determined the key fields that impact after-service health insurance actuarial valuation for UNICEF-supplied data. A note for the record regarding maintenance of those fields has been drafted and approved and all of the necessary validation controls are already in place. As there are no new fields or changes in processes, no new controls need to be put in place.	The Board reviewed the key data elements included in the note for the record issued in April 2022, which contains a description of all the key data elements that should be contained in VISION that validate the eligibility of participants for end-of-service/post-employment benefits. This recommendation is therefore considered implemented.	X			

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10	2019	A/75/5/Add.3, chap. II, para. 72	The Board recommends that UNICEF adopt a mission-mode approach to ensure the successful and expedited implementation of the budget formulation tool.	The implementation of the budget formulation tool has been suspended by UNICEF owing to the identification of performance issues. The originally conceived budget formulation tool, upon which this recommendation was based, is no longer applicable. The design requires a more detailed review and a total overhaul to be fit for UNICEF purposes. Accordingly, the recommended "mission-mode approach" is not applicable.	Given the fact that UNICEF management informed the Board in May 2022 that the implementation of the budget formulation tool had been suspended owing to possible performance issues, the Board will review the limitations on performance indicated by UNICEF during the next audit period. In this regard, the Board considers this recommendation to be under implementation.		X		
11	2019	A/75/5/Add.3, chap. II, para. 122	The Board recommends that UNICEF ensure the effective utilization of the emergency preparedness platform for risk analysis and planning for preparedness for emergency response in all the regional and country offices, as envisaged in the procedure.	UNICEF management recalls that this recommendation was issued because of the low percentage of country offices utilizing the emergency preparedness platform for preparing emergency response plans, as stated in paragraph 120 of the Board's report. This situation has changed. UNICEF has 130 country offices and currently all of them use the emergency preparedness platform. All have their plans online, as evidenced by the data available on the emergency preparedness platform. Emergency preparedness platform inputs for any of these 130 country offices are accessible through the	The Board verified that all the country offices were using the emergency preparedness platform and that 112 of them had a compliance score over 50 per cent, while the rest were between 20 per cent and 50 per cent. In addition, it was observed that the average preparation level of the country offices was 91 per cent. Regarding the 7 regional offices, the preparedness score was over 70 per cent. This recommendation is therefore considered implemented.	X			

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				map on the landing page or through the drop-down menu on the upper right.					
12	2019	A/75/5/Add.3, chap. II, para. 156	The Board recommends that UNICEF clarify the provisions of the Supply Manual and related procedure documents regarding the processes and steps required for the issuance of local procurement authorizations for different products, especially in the case of ready-to-use therapeutic food and medicines.	The Supply Division updated the Supply Manual in May 2021 to further clarify which products require local procurement authorization. The final review of the specific explanatory note on cold chain equipment was completed in December 2021. Additionally, the Division's Contracting Centre and Medicines and Nutrition Centre jointly conducted a review of local procurement authorizations to align Division procedure 015 with the above-mentioned Supply Manual updates.	The Board reviewed the new version of the Supply Manual, which was issued in December 2021, and observed that UNICEF had developed specific regulations related to the issuance of local procurement authorizations concerning ready-to-use therapeutic food and medicines. This recommendation is therefore considered implemented.	X			
13	2019	A/75/5/Add.3, chap. II, para. 181	The Board recommends that UNICEF facilitate the improved monitoring and understanding of direct order long-term agreements with country offices in order to identify reasons for delays in direct order purchase orders and that UNICEF take the remedial measures necessary to improve the timeliness of deliveries.	The Supply Division has undertaken training and awareness sessions in relation to the importance of updated VISION entries for direct order purchase orders and the monitoring of these via existing inSight dashboards, which provide specific focus on the status of orders to prevent delays and improve timeliness. Given the impact that COVID-19 has had throughout the year on global logistics and supplies in all sectors, therefore affecting suppliers' incoming supply chains as	The Board carried out a review of the delays in direct order long-term agreements. It was verified that UNICEF took remedial measures to improve the timeliness of deliveries. This recommendation is therefore considered implemented.	X			

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				well as the delivery from suppliers to countries, these efforts are expected to translate into improved performance with the restoration of normalcy in global logistics.					
14	2019	A/75/5/Add.3, chap. II, para. 183	The Board recommends that UNICEF ensure that applicable contractual remedies are applied consistently in the cases of delays in deliveries and, in particular, record the basis for the decision about whether to apply the contractual remedies for each case of delay by all the suppliers.	The Supply Division has updated its applicable procedure with a note to remind procurement centres to report the application of contract remedies in a shared file hosted by the Contracting Centre, thus keeping a record of their consistent application. Procurement centres are frequently reminded of this obligation. Supply Division procurement centers have recorded the application and non-application of contractual remedies in a shared file hosted by the Contracting Centre. In each case, the centres have considered whether applying contractual remedies would be in the interest of the organization and lead to improved on-time delivery.	The Board reviewed the action taken by UNICEF in order to apply contractual remedies to suppliers in cases of delays in deliveries. It was verified that the entity had recorded delays by suppliers during 2021 and 2022. In addition, UNICEF added to the procedure a note to remind procurement centres to report the application of contract remedies and to keep a record of it. In that regard, this recommendation is considered implemented.	X			
15	2019	A/75/5/Add.3, chap. II, para. 199	The Board recommends that UNICEF take measures to implement the data warehouse strategy as a priority, especially because this is identified as a critical need to build a long-term, sustainable platform.	The Information and Communications Technology Division has completed the identification of a strategic data warehouse platform. The current data warehouse platform that supports the	Although UNICEF provides comments on progress in the identification of the data warehouse strategy, no evidence is provided on the data warehouse strategy. Hence, this recommendation is considered under implementation.		X		

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				corporate business intelligence dashboard, inSight, continues to be fully functional. A new data hub in line with the strategic data warehouse platform is in place to support COVAX dashboards (COVID vaccine dashboards). Work is in progress to enhance data presentation capabilities and to migrate data from the current data warehouse to the new platform. UNICEF currently has a functional information management system supported by a continuously evolving data warehouse strategy, as evidenced by the COVAX dashboard, which was highly effective in monitoring and reporting on COVID vaccine procurement and distribution.					
16	2019	A/75/5/Add.3, chap. II, para. 204	The Board recommends that UNICEF take steps to get an appropriate level of penetration testing done on the critical applications and networks through which these applications are accessed, which would help to identify the security vulnerabilities and result in urgent action to patch.	UNICEF data centres are protected by firewalls and security services provided by the external vendor Open System. Open System is an industry leader in security services, and UNICEF trusts and relies on their highly specialized technical expertise and capacity to protect from any cybersecurity threats. UNICEF has issued a procedure on local information and	While the Board recognizes that UNICEF has implemented procedures that provide security guidelines, no evidence has been provided on the outcome of the penetration tests. Hence, this recommendation is still considered under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				communications technology (ICT) security operations in 2021 to provide guidance on penetration testing to all offices, in which yearly penetration testing is recommended for large offices, where possible. In addition, to demonstrate how seriously UNICEF is taking this matter, UNICEF has issued 11 policies and/or standard documents on information security that cover all domains, such as information asset management, information classification, risk assessment, organization of information security, human resources security, physical and environmental security, communications and operations management, access control, information systems acquisition, development and maintenance, information security incident management, business continuity management and compliance.					
17	2019	A/75/5/Add.3, chap. II, para. 210	The Board recommends that UNICEF take steps to ensure automatic data synchronization between human resources master data and VISION user ID credentials by instituting the mandatory input of account number/personnel	The recommendation was to ensure that the unique identifier number was there for every user account. In this case, the auditors were referring to the personnel number, an automatically generated unique number in VISION, which our	The Board verified that UNICEF had been taking actions to ensure that user's information in the human resources master data and VISION are automatically synchronized. This recommendation is therefore considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			number while creating the ID. The Board also recommends that account/personnel numbers be updated in all such cases in the database.	automatic process now addresses.					
18	2019	A/75/5/Add.3, chap. II, para. 215	The Board recommends that UNICEF consider deactivating and locking all older user IDs in lieu of which new user IDs were issued to the same user.	These four accounts are related to rehiring or name change. When one of these events happens, duplicate accounts are created, and manual intervention is needed to deactivate the invalid one. There is no trigger in current processes to provide an alert about these situations. The Customer Care Team runs monthly reconciliations to pick them up. In this case, the four duplicate accounts have been deactivated.	The Board reviewed the cases with duplicate accounts, and it was verified that UNICEF has taken the corrective measures to deactivate those accounts. This recommendation is therefore considered implemented.	X			
19	2019	A/75/5/Add.3, chap. II, para. 230	The Board recommends that UNICEF explore the creation of a mechanism to prevent the creation of multiple payment requests for the same payment under the same grant and take steps to complete the process of data cleaning through necessary action on pending unverified payment requests as a priority.	In eZHACT 1.0, the creation of new funding authorization and certificate of expenditure forms is required to process a change of funding source and reprogramming transactions. Sometimes the users create the funding authorization and certificate of expenditure forms (and payment requests) but do not process them through. This creates the additional payment requests that do not move forward in the approval process. As the system has matured, these have been reduced.	The Board notes that UNICEF is in the process of implementing eZHACT 2.0 in order to prevent the creation of multiple payments under the same grant. However, this is an ongoing process. This recommendation is therefore considered under implementation.		X		

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				However, there is no risk that those payment requests will result in duplicate and/or additional payments to implementing partners, as they would need to undergo the whole approval process before payments could be made. In addition, as part of the enhancements of eZHACT, the roll-out of eZHACT 2.0 in May 2022 eliminates the creation of funding authorization and certificate of expenditure forms for a change in funding source and reprogramming transactions.					
20	2019	A/75/5/Add.3, chap. II, para. 244	The Board recommends that UNICEF ensure that comprehensive testing of the headquarters business continuity plan and the Information and Communications Technology Division disaster recovery plan, including necessary simulation exercises, is carried out regularly, at defined intervals.	UNICEF requests closure of this recommendation, as it is now replaced by the recommendation in paragraph 93 of the Board's report for 2021 (A/76/5/Add.3, chap. II)	A new recommendation on the matter has been issued in the 2021 audit period and is included in the present report. Hence, this recommendation is considered overtaken by events.				X
21	2019	A/75/5/Add.3, chap. II, para. 253	The Board recommends that UNICEF consider ensuring a safe distance between the headquarters primary data centre and the disaster recovery data centre without significantly affecting productivity and access to real-time data.	UNICEF has deployed five data centers in the cloud which are active and provide backup to on-premises data centres. The Board's recommendation of keeping two data centres at a geographical distance is to avoid any adverse effect of natural disasters on business	In view of the comments provided by UNICEF, the meetings held and the information reviewed, in particular regarding the critical servers that are virtualized and that are not physically located on UNICEF premises, the Board considers this observation overtaken by events.				X

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				continuity. UNICEF considers this threat is fully addressed by the management decision to use cloud data centres. The pandemic has proved that data centre services can be easily provided seamlessly from the cloud.					
22	2019	A/75/5/Add.3, chap. II, para. 309	The Board recommends that UNICEF explore ways to improve the utilization of the pre-assessed talent group for its recruitment, which is also the preferred sourcing method in accordance with the administrative instruction.	As recommended, UNICEF has explored ways to improve the utilization of the pre-assessed talent group for its recruitment. A key strategy was to recruit a dedicated Human Resources Officer to manage talent groups and increase engagement with hiring offices to advocate for the use of talent groups to fill vacancies. The Human Resources Officer has been recruited and assumed duties in July 2021. To further improve the utilization of the pre-assessed talent group, the numerical ranking of suitable candidates has been changed to primary and alternate candidate(s) to address the perception that talent group candidates are not top talent, as they were previously recommended as second or third choice candidates. An additional strategy is to allow hiring offices to source candidates from talent groups to fill	The Board acknowledges that the entity has made efforts to implement this recommendation by recruiting a staff member in 2021 whose responsibilities include improving the utilization of the pre-assessed talent group for recruitment. The recommendation is therefore considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				temporary positions. This process is working well, where applicable. For instance, in 2022 alone (January to April), direct selection from talent groups was used to fill 39 temporary vacancies. UNICEF has also conducted advocacy and sensitization for focal points to enhance the usage of talent groups.					
23	2020	A/76/5/Add.3, chap. II, para. 25	The Board recommends that UNICEF update its policy on revenue recognition with regard to accounting for joint programmes and define the point at which it controls the non-exchange assets related to trust fund or joint programme arrangements.	UNICEF management confirmed the update of the IPSAS policy position paper on non-exchange revenue recognition, in particular paragraph 18.5 thereof on joint programmes and UNICEF control of the related non-exchange assets.	The Board reviewed the updated IPSAS policy on non-exchange revenue recognition, and it was verified that the accounting treatment for joint programmes had been developed. Hence, this recommendation is considered implemented.	X			
24	2020	A/76/5/Add.3, chap. II, para. 26	The Board recommends that UNICEF disclose the agreements for joint programming in which asset recognition criteria have not been met as contingent assets in the financial statements.	UNICEF management confirms disclosure of the agreements for joint programming in which asset recognition criteria have not been met as contingent assets in the 2021 financial statements.	The Board reviewed the agreements signed during the 2021 period, and it was verified that the agreements for joint programming had been properly disclosed. This recommendation is therefore considered implemented.	X			
25	2020	A/76/5/Add.3, chap. II, para. 27	The Board recommends that UNICEF develop a solution to track the submission of signed agreements and enhance the monitoring of their timely registration.	As recommended, a tool has been developed to track the submission of signed agreements which will enhance the monitoring of their timely registration. UNICEF management confirms that the tool went live on 15 October 2021.	The Board reviewed the tool developed by UNICEF to track the submission of signed agreements. In view of the actions taken, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
26	2020	A/76/5/Add.3, chap. II, para. 42	The Board recommends that UNICEF establish a clear time frame for initiating and finalizing the different assurance activities in order to ensure their timely execution, using as a reference when expenses are posted in the system after the funding authorization and certification of expenditure form has been approved.	UNICEF management confirms that the implementing partner audit process was reviewed and detailed instructions were issued on the timeliness of the completion of the assurance engagements (no later than the first quarter of 2022), with additional instructions that all assurance activities must include expenses from the year of the audit.	The Board reviewed and verified that UNICEF had established the key activities and time frame related to the annual assurance activities process of implementing partners. The Board therefore considers that this recommendation has been implemented.	X			
27	2020	A/76/5/Add.3, chap. II, para. 43	The Board recommends that UNICEF develop a workplan with the aim of ensuring that the expenses reported by implementing partners are reviewed in a timely manner and that the required financial assurance is completed no later than the first quarter of the following year after the expenses have been reported to UNICEF.	UNICEF management confirms that the implementing partner audit process was reviewed and detailed instructions were issued on the timeliness of the completion of the assurance engagements (no later than the first quarter of 2022), with additional instructions that all assurance activities must include expenditures from the year of the audit.	The Board reviewed the manual that UNICEF developed, which included all key activities and time frame details related to the annual implementing partner audit process. In addition, it was provided with evidence that the manual was circulated to all regional offices and had an implementation date of February 2022. The Board therefore considers that this recommendation has been implemented.	X			
28	2020	A/76/5/Add.3, chap. II, para. 57	The Board recommends that the West and Central Africa Regional Office identify the reasons for delays in the closure of overdue action points resulting from the harmonized approach to cash transfer financial assurance activities and take corrective action, along with the country offices, in order to ensure	Management responded that, as at 31 December 2021, there were zero overdue high-priority action points triggered from financial assurance activities in the West and Central Africa Regional Office. Following identification of the reasons for delays, the Regional Office, in collaboration with the Division of Data, Analytics, Planning and	The Board acknowledged the efforts made by the West and Central Africa Regional Office by identifying the reasons for delays and closing the high-priority open items. Hence, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			the closure in 2021 of the 290 high-priority open items identified.	Monitoring, developed a user guide on implementing partnership management action points to tackle bottlenecks.					
29	2020	A/76/5/Add.3, chap. II, para. 58	The Board recommends that the West and Central Africa Regional Office take preventive measures in order to ensure that the high-priority action points that are related to implementing partnership management are closed within a year of their creation.	Management responded that preventive measures have been put in place. The West and Central Africa Regional Office, with the support of the Division of Data, Analytics, Planning and Monitoring and following feedback from West and Central Africa country offices, finalized and disseminated a user guide to advise country offices on the types of action to be recorded in eTools and the basic criteria to determine the level of prioritization. The Regional Office has also developed and shared quarterly snapshots on the status of action points and has an item entitled "action points" in each quarterly implementing partnership management webinar. Finally, bilateral follow-up was conducted, leading to zero open high-priority action points from financial assurance activities.	The Regional Office adopted the necessary measures to ensure that the high-priority action points are closed within a year of their creation. In that regard, the organization issued the "Action Points User Guide", which established the necessary steps for recording the action points in eTools. In addition, the Regional Office has closed the high-priority action points. The Board therefore considers this recommendation implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
30	2020	A/76/5/Add.3, chap. II, para. 59	The Board recommends that the Division of Data, Analytics, Planning and Monitoring, together with regional offices, develop a methodology for the efficient oversight of high-priority findings emerging from the closure of the harmonized approach to cash transfer framework assurance activities and enhance the eTools platform in order to support the effective closure of overdue action points by country offices.	UNICEF management confirms that the Division of Data, Analytics, Planning and Monitoring developed a comprehensive assurance dashboard focusing on the results of financial assurance activities. The harmonized approach to cash transfer and financial assurance dashboard has an overview of the open action items per assurance category and details in each section related to the specific type of assurance. The dashboard was rolled out to regional offices with instructions to monitor the status of open action items in their region. In addition, following the lead of the West and Central Africa Regional Office, guidance on action items was issued.	The Board verified that UNICEF had developed an assurance dashboard, which is focused on the results of financial assurance activities. The assurance dashboard has an overview of the open action items per assurance category and details in each section related to the specific type of assurance. The Board therefore considers this recommendation implemented.	X			
31	2020	A/76/5/Add.3, chap. II, para. 68	The Board recommends that UNICEF finalize regulatory procedures for cash transfers directly to beneficiaries, taking into consideration the three modalities of cash transfer delivery that UNICEF uses, that is, cash transfers through a financial service provider or an implementing partner, or direct implementation, to ensure that clear instructions are in place for accurate financial reporting of cash transfer programmes.	UNICEF management confirmed that the new cash transfers procedure had been finalized and approved. It is expected that the new procedure will bring standardization and quality assurance in cash programming (including all delivery modalities).	The Board observed that UNICEF had developed the procedure on cash assistance transfers to beneficiaries, which includes all the required modalities. This recommendation is therefore considered implemented.	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*Management's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
32	2020	A/76/5/Add.3, chap. II, para. 82	The Board recommends that the UNICEF Supply Division strengthen, in coordination with country and regional offices, the forecasting procedure and consider adjusting the forecasts in a timely manner in order to reflect the significant variances that may occur.	The Supply Division has finalized the strategy to strengthen country forecasting processes, with inputs from country offices and regional offices. This includes aspects related to data quality, funding and the review, adjustment and communication of changes in a timely manner, including with the Supply Division. Moreover, the Supply Division has advocated for and obtained funding to support the strengthening of forecasting processes in country offices. In addition, in 2021, the Supply Division launched some of its forecasts as dynamic, in order to improve the communication between the Division and country offices, to facilitate the comprehensive collection of inputs and to better consider adjustments to forecasts from countries.	The Board verified that UNICEF was taking several measures to strengthen the forecasting process with country offices and regional offices by conducting a webinar on strengthening country forecasting, performing some dynamic forecasting processes through email updates and holding meetings to discuss forecasting issues. This recommendation is therefore considered implemented.	X			
33	2020	A/76/5/Add.3, chap. II, para. 93	The Board recommends that UNICEF headquarters formalize new emergency procedures, which must include regulations for level 1 emergencies, in order to strengthen the governance of the emergency system, providing clear orientation on activation steps, criteria for deactivation,	It was explained that the package of emergency procedures was officially launched on 1 December 2021. It includes the following documents: emergency procedures; emergency procedures handbook; checklist of simplifications and mandatory processes; what's new; and guidance for	The Board analysed the new emergency procedures provided by UNICEF, which included guidance for level 1 emergencies, with the suggested orientations. The recommendation is therefore considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			responsibilities, accountability and decision-making.	senior management. A roll-out strategy and timeline have been developed to support the ownership of the procedures by staff across the organization and engage on the procedure with external actors. The strategy focuses on leveraging existing capacities, meetings and initiatives. A series of webinars to support ongoing crises has already been conducted for all active level 2 and level 3 emergencies to ensure the immediate benefit of simplified procedures. Over 500 individuals in these locations have been trained on how to use the procedures. Tracking tools and/or monitoring checklists have been developed to support the country offices.					
34	2020	A/76/5/Add.3, chap. II, para. 94	The Board recommends that UNICEF establish a formal repository or list with level 1 emergencies in order to facilitate access to information on those emergencies for all levels at UNICEF.	UNICEF implemented the VISION functionality, which was launched on 11 March 2022, establishing new procedures to support level 1, 2 and 3 emergencies. The new functionality also allows the Office of Emergency Programmes to record in VISION all emergency declarations and information on past emergencies since 2013.	The Board reviewed the new procedures and the reports provided by the functionality implemented in VISION and noted that UNICEF had established a formal repository, which included information related to level 1 emergencies. This recommendation is therefore considered implemented.	X			

No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*Management's response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
35	2020	A/76/5/Add.3, chap. II, para. 106	The Board recommends that UNICEF headquarters take measures to strengthen the process of technical closure of financially closed grants and provide training, as required, to offices to develop a better understanding of the information systems and applications.	UNICEF has enhanced the process of review of financially closed grants to ensure that it is done in a timely manner, as indicated in the guidance for technical closure of other resources grants of April 2021. Moreover, UNICEF approved a new procedure on the management of other resources contributions in April 2022, which provides offices a clear reference and better understanding of grants closure and special considerations for reporting and emergency context.	The Board recognizes that UNICEF has enhanced the process of review of financially closed grants to ensure that it is done in a timely manner. Nevertheless, 13 cases of expired grants from September 2013 and June 2021 with a negative allotment were detected in the West and Central Africa Regional Office, representing $229,756. In the Nigeria country office, 9 expired grants from September 2019 and February 2020 with a negative allotment were detected with an amount of $216,487. The Board therefore considers this recommendation under implementation.		X		
36	2020	A/76/5/Add.3, chap. II, para. 122	The Board recommends that the UNICEF Supply Division, in coordination with the Division of Financial and Administrative Management, evaluate successive budget formulations to improve the methodology for the estimation of post and non-post costs and take the action necessary to make them as accurate as possible, with a view to achieving efficiencies in the budget management process.	UNICEF management disagreed with this recommendation, issued during the audit of the Supply Division, based on underlying differences identified. For example, the difference in non-post costs referred to a Supply Division project that could not be carried out owing to the pandemic and was rolled forward to 2021. In 2020, the utilization rate of the non-post component of the institutional budget was 99.8 per cent, adjusting for this project affected by the COVID-19 pandemic. The difference in post costs is not managed locally. UNICEF determines centrally the standard cost for each	The Board has analysed the UNICEF unutilized budget and the vacancy rate for the years 2018, 2019 and 2020. Given the fact that the average of the unused budget is 4 per cent and the average of the vacancy rate is 7 per cent, the Board considers this recommendation implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				position, according to the level and duty station, and then applies the standard cost to all positions across UNICEF. Variances are to be expected for operationally valid reasons and, while visible at the level of individual divisions and/or offices, they are largely net off at the global level, where they are managed.					
37	2020	A/76/5/Add.3, chap. II, para. 133	The Board recommends that the UNICEF Global Shared Service Centre, in coordination with the Division of Human Resources, review the feasibility of including the essential documentation of personnel files to be maintained in the electronic official status file, in line with the recent automation and simplification of processes in human resources.	As recommended by the Board, UNICEF management confirms that the human resources administration has reviewed the essential documents list in line with the automation and simplification of processes. A revised list has been drafted and shared with the Division of Human Resources for review and sign-off. The revised list of the electronic official status file structure, shared with the Division of Human Resources, has been endorsed. System changes have also been actioned to be implemented by the respective technical teams.	The Board reviewed the analysis carried out by the administration to define the categories that must be included in the electronic official status file. The Board verified that the Global Shared Service Centre has developed a new instruction to request the essential documentation in the personnel files. In view of the actions taken, the recommendation is considered implemented.	X			
38	2020	A/76/5/Add.3, chap. II, para. 134	The Board recommends that the UNICEF Global Shared Service Centre, in coordination with the Division of Human Resources, evaluate, complete and update the policy regulating the	UNICEF management confirms that meetings have been conducted with the Division of Human Resources, in the areas of employee relations, compensation and social benefits, on reflection of the	The Board reviewed the categories included in the electronic official status file and verified that UNICEF had updated the management files guidance. In view of the actions taken, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Management's response	Board's assessment	*Status after verification* Implemented	Under implementation	Not implemented	Overtaken by events
			content and source of information of the documentation that must be included into the electronic official status file.	electronic official status file changes in policies and/or procedures. After discussions, the Division of Human Resources procedure was updated to reflect the changes related to personnel files in the electronic official status file.					
39	2020	A/76/5/Add.3, chap. II, para. 144	The Board recommends that the UNICEF Supply Division undertake the efforts necessary to ensure that all staff members complete the mandatory courses on ethics and integrity and on anti-fraud awareness in a timely manner.	The Supply Division confirms that, of its current 500 staff members, 495 have now completed the mandatory course on fraud awareness and 499 have completed the mandatory course on ethics and integrity. The pending cases relate to staff members on sick leave or maternity leave, or who joined the Division in the past few days. The completion rates were already high at the end of the most recent audit – 83 per cent for fraud awareness and 95 per cent for ethics and integrity (for a total of 471 staff members at the time). The Supply Division has now obtained even more favorable results by increasing the strictness of its process to inform staff members and their supervisors of the importance of completing the courses in a timely manner and to follow up with them whenever necessary.	The Board noted that UNICEF had improved its percentages of completion of the mandatory courses on fraud awareness (99 per cent) and on ethics and integrity (100 per cent). This recommendation is therefore considered implemented.	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*Management's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
40	2020	A/76/5/Add.3, chap. II, para. 159	The Board recommends that UNICEF evaluate the impact caused by the use of the new Property Survey Board workflow tool and update the related Global Shared Service Centre standard operating procedure, especially with regard to the mandatory documentation that must be uploaded.	UNICEF management confirms that the Property Survey Board workflow tool has been rolled out. The tool automates case creation for disposal of assets by the Global Shared Service Centre. UNICEF has evaluated the impact of the tool as positive.	The Board verified that UNICEF had updated the Global Shared Service Centre standard operating procedure and that the automated tool for the creation of cases for the disposal of assets has been positively evaluated by the Centre. Consequently, the Board considers the recommendation implemented.	X			
41	2020	A/76/5/Add.3, chap. II, para. 160	The Board recommends that UNICEF establish and formalize the functions of the Global Shared Service Centre and the Division of Financial and Administrative Management in processing disposals.	UNICEF management confirms that a formalized delegation of authority letter related to asset processes and reimbursable loans has been approved between the Global Shared Service Center and the Division of Financial and Administrative Management, thereby clarifying responsibilities to be undertaken by each team in these areas.	UNICEF formalized a letter of delegation of authority related to asset processes and reimbursable loans between the Global Shared Service Centre and the Division of Financial and Administrative Management, clarifying the responsibilities that each team must assume in these matters. The recommendation is therefore considered implemented.	X			
42	2020	A/76/5/Add.3, chap. II, para. 171	The Board recommends that UNICEF ensure that the procedure for revoking accesses to VISION and all ICT resources by all separated staff is done in a timely manner.	The accounts found active in the system belonging to separated staff were caused by exceptions in the separation process. The Customer Care Team will discuss with the separation process owner the inclusion of these scenarios in the current automation. In the meantime, we will continue periodic manual clean-ups.	The Board reviewed the cases of the active users, verifying that they were dismissed personnel and that their access was duly revoked. Therefore, the recommendation is considered implemented.	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*Management's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
43	2020	A/76/5/Add.3, chap. II, para. 172	In addition, the Board recommends that UNICEF detail the guidelines for monitoring the clean-up procedure for VISION user accounts, ensuring that it is constantly updated in order to reflect the circumstances of its enforcement.	The Customer Care Team used a template to create all standard operating procedures in the Global Shared Service Centre which has predefined sections, such as the annexes. We kindly request closure of this recommendation based on the actions taken and supporting evidence.	The Board reviewed the accounts of UNICEF users and verified the actions taken by the entity to monitor the clean-up procedures for VISION, confirming that these had been completed. This recommendation is therefore considered implemented.	X			
44	2020	A/76/5/Add.3, chap. II, para. 173	The Board recommends that UNICEF generate evidence concerning the results of the monitoring, as well as the measures taken in that regard, and undertake regular reviews and maintenance of VISION accounts.	A walk-through was provided, presenting the supporting evidence of the dashboard monitoring for all robots in the Global Shared Service Centre. We kindly request closure of this recommendation.	The Board reviewed the evidence generated by UNICEF in the process of the monitoring and maintenance of the VISION accounts. According to the evidence verified, the Board considers this recommendation implemented.	X			
		Total				**37**	**5**	**0**	**2**
		Percentage				**84**	**11**	**0**	**5**

Chapter III
Certification of the financial statements

Letter dated 31 March 2022 from the Comptroller of the United Nations Children's Fund addressed to the Chair of the Board of Auditors

Pursuant to financial regulation 113.5, I certify that, to the best of my knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in these financial statements.

I acknowledge that:

The management is responsible for the integrity and objectivity of the financial information included in these financial statements;

The financial statements have been prepared in accordance with the International Public-Sector Accounting Standards and include certain amounts that are based on management's best estimates and judgments;

Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties.

UNICEF internal auditors continually review the accounting and control systems. The management provided the United Nations Board of Auditors and UNICEF internal auditors with full and free access to all accounting and financial records.

The recommendations of the United Nations Board of Auditors and UNICEF internal auditors are reviewed by the management. Control procedures have been revised or are in the process of being revised, as appropriate, in response to those recommendations.

(*Signed*) Thomas **Asare**
Comptroller
UNICEF

Statement of internal controls, 2021

Scope of responsibility

1. The Executive Director of the United Nations Children's Fund (UNICEF), in accordance with regulation 2.3 of the UNICEF Financial Regulations and Rules, has overall responsibility for the financial and operations management of the organization consistent with the applicable resolutions and decisions of the governing bodies. The Comptroller of UNICEF has delegated authority in accordance with rule 102.3 of the UNICEF Financial Regulations and Rules in administering the rules on behalf of the Executive Director, and rule 113.3 in maintaining a sound system of internal control that supports the achievement of UNICEF objectives and ensures effective and efficient use of resources and the safeguarding of its assets. The heads of office have the responsibility for ensuring that the office's internal control procedures mitigate the risk exposures of their office and that controls are adequately documented and activities sufficiently evidenced.

Purpose of the system of internal control

2. Internal control is a process, effected by the governing bodies of UNICEF, the Executive Director, the Comptroller, heads of office and other personnel, designed to provide reasonable assurance of the organization's ability to achieve its objectives with respect to operations, reporting, compliance and exercise of economy. Accordingly, it sets out to provide reasonable assurance over the:

(a) Reliability of controls over financial reporting – transactions authorized and properly recorded in compliance with the UNICEF Financial Regulations and Rules and IPSAS, and the prevention or detection of material errors in a timely manner;

(b) Effectiveness and efficiency of processes, the safeguarding of assets and the exercise of economy in the spending of financial resources;

(c) Compliance with the UNICEF regulatory framework and any other applicable regulations and rules.

3. The UNICEF statement of internal control is a public accountability document that describes the effectiveness of internal controls and considers any relevant events up to the date of certification of the 2021 financial statements of UNICEF.

UNICEF operating environment

4. UNICEF works in more than 190 countries and territories (including in complex emergencies) to save children's lives, defend their rights and help them to realize their full potential, from early childhood through adolescence. Effective internal controls help to accomplish these goals and optimize the resources entrusted to the organization.

5. The coronavirus disease (COVID-19) pandemic continues to have an impact on business operations in all UNICEF offices.

6. In 2021, the humanitarian mandate imperative put UNICEF at the forefront of the response to the pandemic with the global COVID-19 Vaccine Global Access (COVAX) Facility initiative. This in principle exposed UNICEF to operating environments and situations with a high level of inherent risk, including in terms of the security of its employees and beneficiaries. It also called for the continued ability to maintain the highest standards of internal control in order to manage and mitigate the risks.

Risk management and control framework

7. The commitment of UNICEF to strong risk management is evident in its programme and tone at the top in the form of the commitment of senior management. Supporting risk-informed decision-making in support of accomplishing the organization's objectives requires an understanding of what has happened, is happening and might happen. Enterprise risk management guides the organization in making intelligent and risk-informed decisions. A key area of accomplishment in 2021 as part of the organization's risk management and internal control processes was its establishment of a Senior Management Risk Committee tasked with overseeing the effectiveness of the enterprise risk management framework, including ensuring successful implementation of the organization's approach to enterprise risk management.

8. The internal control framework of UNICEF is aligned and benchmarked against the Committee of Sponsoring Organizations of the Treadway Commission internal control integrated framework and its 5 components and 17 principles. The scope of the UNICEF internal control framework includes control environment, risk assessment, control activities, information and communication and monitoring activities. These components of internal control are inherent in the different areas of UNICEF programmes and operations and are addressed through various regulations, rules, policies, procedures and guidelines.

9. Each UNICEF office has an established mechanism and Contracts Review Committee to ensure that the execution of contracts and that individuals with procurement and contracts management authority comply with the organization's policies, procedures and rules.

10. UNICEF has a robust anti-fraud strategy that provides a planned approach to operationalizing the policy prohibiting and combating fraud and corruption. The strategy clearly outlines the mechanisms that UNICEF has for detection, prevention, deterrence and response to fraud.

Review of effectiveness of the system of internal control

11. Heads of office in UNICEF are responsible for implementing and overseeing internal controls in their areas of responsibility. The review of the effectiveness of UNICEF internal control for 2021 was arrived at and was informed, in general, by the following:

(a) An annual "letter of attestation", which was submitted by all regional directors, division directors and other heads of office, confirming the adequacy of internal controls in place in their respective areas of responsibility;

(b) Internal control self-assessment, which was completed and submitted by all heads of office. The offices maintain supporting evidence and indicate action taken or planned for areas not fully compliant;

(c) The Office of Internal Audit and Investigations 2021 assurance opinion, which concluded that the framework of governance, risk management and control was adequate and effective in general and that no material deficiency had been discovered on the basis of work carried out;

(d) Other statutory management committees, such as the Property Survey Board, the Financial Advisory Committee, the Programme Budget Review, the Information and Communication Technology Investment Committee, the Crisis Management Team and recruitment monitoring bodies, which ensured transparency and consistency and provided decision-making support and advice to ensure the effectiveness of internal controls;

(e) UNICEF applications of the harmonized approach to cash transfers, which is an inter-agency framework used by United Nations agencies in transferring cash to implementing partners and ensures the effective use of financial resources for the implementation of programme activities. The framework has mechanisms for fiduciary activities in managing risks to deliver results for children and ensure that funds are used for their intended purpose;

(f) Additional oversight activities carried out by the Independent Audit Advisory Committee, the Advisory Committee on Administrative and Budgetary Questions and the Joint Inspection Unit with identified areas for potential improvement and advice on ways to address weaknesses with regard to risk management and internal control matters;

(g) A robust framework of reporting in place at UNICEF, including policies and procedures that: (i) pertain to the maintenance of records that are reasonably detailed and accurately and fairly reflect transactions and the dispositions of its assets; (ii) provide reasonable assurance that transactions are recorded, as necessary, to permit the preparation of financial statements in accordance with IPSAS and that revenue is recognized and expenses are incurred in accordance with appropriate authorizations by management; and (iii) provide reasonable assurance regarding the prevention or timely detection of unauthorized activities that could have a material effect on the financial statements.

Significant internal control issues

12. The responses provided by heads of office for the 2021 self-assessment questionnaires represent an integral part of evaluating the effectiveness of and compliance with the UNICEF internal control framework. On the basis of the self-assessment questionnaire and key performance indicators, heads of entity provided assurance of the efficacy of the internal controls in the areas under their responsibility. The submission of results for the self-assessments did not identify significant control issues requiring disclosure in 2021.

Significant risks arising during 2021 and mitigation measures

13. On the basis of the corporate risk register for 2021 and risk-related review meetings, UNICEF concluded that the most significant risks that it faced during the period were as summarized in the table below:

Risk	*Mitigating measure*
Fraud, waste and misuse of resources	1. Enhanced oversight of implementing partners, vendors and third parties, including ensuring due diligence prior to engaging with them
	2. Conduct of fraud risk assessments and use of collective intelligence to advance information-sharing capabilities to mitigate risks associated with the speedy flow of funds and programme delivery during the COVID-19 pandemic
	3. Enhancement of an automated system of continuous monitoring of internal controls and reporting of exceptions
	4. Improved proactive and rapid response to cases of fraud and corruption

Risk	Mitigating measure
Information and communication technology systems security and privacy protection	1. Proactive management of cybersecurity risks through continuous identification and mitigation of malware and other intrusion events 2. Improved data privacy management and protection, with issuance of related policies 3. Enhanced security awareness to counter the effect of cybersecurity threats to digital fundraising by malicious actors taking advantage of the COVID-19 pandemic environment
Organizational resilience	1. Monthly crisis management and global coordination meetings 2. Monitoring of the effects of the COVID-19 pandemic on staff and implementing partners to ensure their ability to stay and deliver
Funding (failure to meet fundraising targets)	1. Leveraging of financing instruments in partnership with the World Bank as a source of expanding fundraising investment funds to generate more resources for programme delivery 2. Upscaling of digital fundraising techniques and applications to build stronger relationships with the donor base, increase donor retention and grow individual giving opportunities 3. Continuous monitoring of the impact of the COVID-19 pandemic on income estimates and devising of strategies to limit a potential downturn in fundraising results
Misconduct and wrongful behaviour	1. Continued enforcement of relevant policies and the code of ethics and professional conduct 2. Implementation of global cultural change initiative to better align staff behaviour with the organization's core values 3. Increased internal communications and continuous staff engagement 4. Improved sexual exploitation and abuse prevention measures and reduction of associated risks with programme implementation
Conflict, instability, natural disasters and the COVID-19 pandemic	1. Activation of level 3 and level 2 emergencies for expedited and prioritized organizational support in emergencies 2. Leveraging of new technologies, partnerships, flexibilities and innovative thinking to protect personnel and assets, while also delivering necessary programmes for children 3. Flexible working arrangements and modalities for personnel 4. Provision to staff of regular training and travel briefings for an appropriate response to various security threats 5. Continued implementation of inter-agency COVID-19 medical evacuation and strengthening of first-line medical facilities in country offices; observance of COVID-19 safety protocols and ensuring staff well-being

Integration of risk management into key strategic and operational business processes

14. In 2021, UNICEF management continued to improve the risk management and internal control frameworks. UNICEF also utilizes the risk management platform for integrated risk and policy management, which allows risk owners to identify changes needed to policy documents and business processes on the basis of results from risk assessments. Risk management continues to be an essential consideration in key management initiatives, resource allocation and decisions affecting the efficiency and effectiveness of UNICEF operations.

Statement

15. Internal controls, no matter how well designed, have inherent limitations, including the possibility of premeditated circumvention. Therefore, UNICEF can provide only reasonable but not absolute assurance. The effectiveness of internal controls may vary over time owing to changes in conditions beyond the control of operating units within UNICEF.

16. UNICEF remains committed to the continuous improvement in the system of internal control so as to address control issues in a timely manner, including recommendations from internal and external audit reports.

17. On the basis of the above, we conclude that, to the best of our knowledge and information, UNICEF has an effective system of internal control and that there were no material weaknesses that would affect the reliability of the organization's financial statements during the year ended 31 December 2021 and up to the date of final certification of the 2021 financial statements, nor are there significant weaknesses arising that would need to be raised in the present statement for the period covered.

(*Signed*) Thomas **Asare**
Comptroller
UNICEF

(*Signed*) Catherine **Russell**
Executive Director
UNICEF

Chapter IV
Financial overview

Financial statement discussion and analysis

Introduction

1. The United Nations Children's Fund (UNICEF) was established by the General Assembly in 1946 to help Governments and other partners to overcome the obstacles that poverty, violence, disease and discrimination place in the path to realizing children's rights. UNICEF mobilizes political will and material resources to help countries, in particular developing countries, to ensure a "first call for children" and build the capacity of countries to form appropriate policies and deliver services for children and their families.

2. This financial statement discussion and analysis should be read in conjunction with the UNICEF audited financial statements for 2021, but they do not form part of the statements. The present financial statements were prepared for the calendar year 2021 in accordance with the UNICEF Financial Regulations and Rules and the International Public Sector Accounting Standards (IPSAS) included in chapter V of the present document. The discussion and analysis are intended to provide readers of the financial results with a more holistic understanding of the meaning of the numbers and inform stakeholders about how financial resources are being managed.

3. The annual report of the Executive Director covers UNICEF programmatic operations, strategies and results. The present chapter includes a few programmatic highlights for the context of the financial results, but focuses mainly on UNICEF financial operations, strategies and results.

Overview of operations and the operating environment

Operations

4. UNICEF is mandated by the General Assembly, through the Economic and Social Council and the Executive Board, to advocate the protection of children's rights, to help to meet their basic needs and to expand their opportunities to reach their full potential. In everything that it does, the most disadvantaged children and the countries in greatest need have priority. UNICEF works in the world's most challenging places to reach the most disadvantaged children and adolescents and to protect the rights of every child, everywhere. Across more than 190 countries and territories, UNICEF helps children to survive, thrive and fulfil their potential, from early childhood through adolescence.

5. The activities of UNICEF are funded in full through voluntary contributions from Governments, intragovernmental and private organizations and individuals. The majority of these contributions are earmarked for specific programmes and projects. At the same time, unearmarked resources are granted to UNICEF to allocate according to an Executive Board-approved formula that favours countries where children are in greatest need.

6. The 2021 financial year was the final year of the strategic plan for 2018–2021. UNICEF worked with its partners to protect the rights of all children against the impacts of the global crisis fuelled by the COVID-19 pandemic, conflicts and climate change. Children in the poorest countries and fragile and conflict-affected contexts and the most underserved, discriminated-against communities have been hit the hardest. Over the four years of the strategic plan, UNICEF accelerated efforts to reach them with the essential services and support required to achieve the child rights-related Sustainable Development Goals, which were off track even before the

pandemic and now require a two- to seven-fold acceleration in progress. As the pandemic struck, the organization seized opportunities to innovate and advocate for children, broadened partnerships and oriented its work to strengthen the resilience of systems, communities, families and children.

7. The year 2021 saw extraordinary humanitarian needs as escalating conflicts and protracted crises – including in Afghanistan, Ethiopia, Myanmar and Yemen – destroyed lives, livelihoods and infrastructure, led to grave violations of children's rights and forced children and their families to flee their homes.

8. For children affected by fragility and complex humanitarian crises, where the interplay of conflict and climate change impacts have already devastated communities, the pandemic has compounded risks and diminished opportunities. Two years into the pandemic, the harm to children is inescapably evident. The crisis pushed an additional 100 million children into multidimensional poverty. As of 2021, over 1 billion children – half the world's children – were living without such necessities as health care, adequate nutrition, clean water, sanitation, safe housing or education.[3]

9. UNICEF continued to focus on the effective implementation of its programmatic activities and responded to these unprecedented circumstances in collaboration with supporting partners and donors who were focused on addressing the challenges of the pandemic.

Impact of the COVID-19 pandemic on UNICEF operations

10. In 2021, COVID-19 vaccines became available around the world. UNICEF has organized the international transportation of vaccines for the COVID-19 Vaccine Global Access (COVAX) Facility since February 2021. Through the COVAX Facility – led by Gavi, the Vaccine Alliance, the World Health Organization (WHO) and the Coalition for Epidemic Preparedness Innovations – UNICEF is working with manufacturers and partners on the procurement of COVID-19 vaccine doses, as well as freight, logistics and storage. In collaboration with the Pan American Health Organization revolving fund, UNICEF leads procurement and delivery for 92 low- and middle-income countries and supports procurement for more than 97 upper-middle-income and high-income nations. It also procures and transports immunization supplies such as syringes, safety boxes for their disposal, and cold chain equipment such as vaccine refrigerators.

11. The Access to COVID-19 Tools (ACT) Accelerator was set up in April 2020 to speed up the development and production of and equitable access to COVID-19 tests, treatments and vaccines to respond to the pandemic. UNICEF is leading the end-to-end procurement and supply of COVID-19 vaccines on behalf of the COVAX Facility. Working with ACT-Accelerator partners, national Governments and communities, it is working to address the stark inequalities that exist in access to COVID-19 vaccines, tests, treatments and personal protective equipment. Its work ranges from procurement, international freight and logistics to supporting country readiness and delivery. Similarly, UNICEF plays a key role in the procurement, delivery and roll-out of COVID-19 testing kits, treatments and personal protective equipment needed to keep front-line workers safe.

12. In 2021, UNICEF shipped more than 560 million COVID-19 vaccine doses to 144 countries and provided in-country technical and financial support in over 130 countries to turn vaccines into vaccinations.

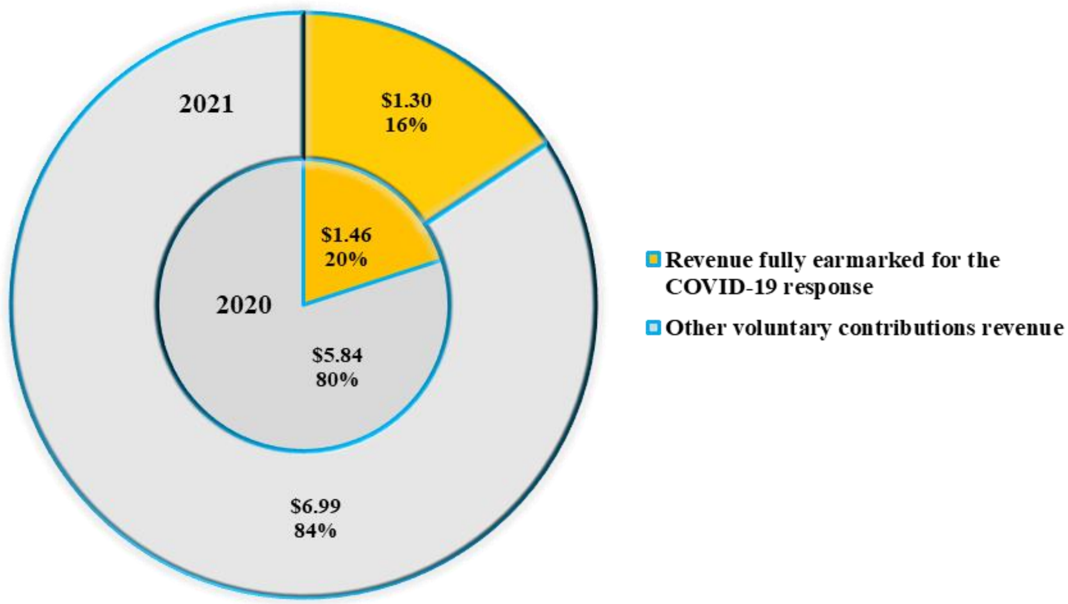
13. UNICEF faced the same operational challenges relating to the pandemic as many other United Nations organizations and global companies. Though travel restrictions were lifted in most countries, working from home continued for the first

[3] See www.unicef.org/social-policy/child-poverty/covid-19-socioeconomic-impacts.

half of 2021 in many countries in which UNICEF operates, including at the end of 2021, as new COVID-19 variants continued to emerge.

14. Overall revenue from voluntary contributions was at a record high owing to contributions to programmatic activities to support the pandemic response, reaching $8.29 billion (2020: $7.30 billion). In 2021, a total of $1.30 billion (2020: $1.46 billion) was fully earmarked by donors for COVID-19-related programmes, including vaccination activities.

Figure IV.I
Breakdown of revenue from COVID-19-related (including ACT-Accelerator) and non-COVID-19-related voluntary contributions
(Billions of United States dollars)



15. As travel bans and restrictions related to the pandemic lifted, travel commenced and UNICEF recorded an increase in travel expenses of 27 per cent to $70.96 million (2020: $55.85 million) as programmatic implementation increased and associated duty travel was conducted in response (see note 30, Other expenses).

Impact of the COVID-19 pandemic on procurement activities

16. In 2021, the COVID-19 pandemic continued to affect the supply of various commodities, specifically vaccines, which had an impact on the implementation of the COVAX Facility and standard procurement services. Whereas in 2020 the primary focus was on purchasing personal protective equipment, with supply constraints also observed for oxygen, diagnostics and other commodities, the focus in 2021 was on supporting the procurement and distribution of COVID-19 vaccines. The role of UNICEF in COVAX is to act as the lead procurement agency and procurement coordinator.

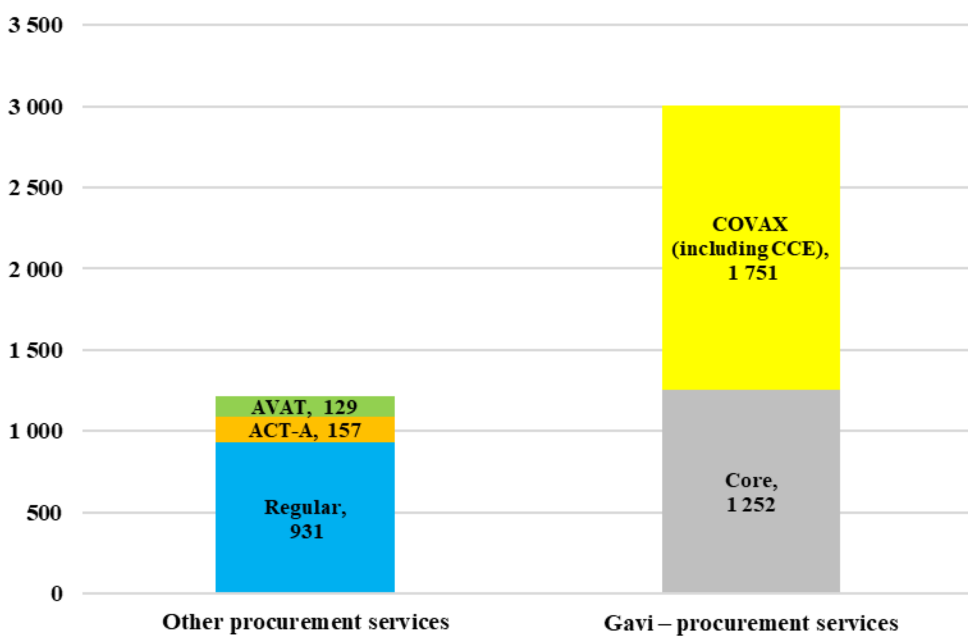
17. UNICEF conducts procurement activities, establishes long-term agreements with manufacturers and manages procurement and logistics for countries participating in the COVAX Facility. It is also responsible for overseeing the COVAX vaccine portfolio by co-convening it with Gavi, the Vaccine Alliance, maintaining updated

information from manufacturers on the projected and actual supply quantities to inform the allocation mechanism and monitoring the drawdown of the COVAX advance purchase commitments.

18. The balance of funds held on behalf of third parties more than tripled in 2021, driven by an increase in the number of ongoing transactions and partner deposits for procurement services from both Gavi, the Vaccine Alliance, of $2.38 billion (2020: $621.09 million) and other procurement-related funds of $2.34 billion (2020: $558.25 million) at year end.

19. Total disbursements under procurement services recorded a total of $4.22 billion (2020: $1.83 billion), of which $1.90 billion was for COVID-19-related procurement services. As these are agency transactions, they do not form part of UNICEF operations and therefore are not included as UNICEF expenses in the financial statements.

Figure IV.II
2021 trust fund disbursements related to Gavi, the Vaccine Alliance, and other procurement services
(Millions of United States dollars)



Abbreviations: ACT-A, ACT-Accelerator; AVAT, African Vaccine Acquisition Trust; CCE, cold chain equipment.

20. Standard procurement services throughput increased significantly, through growth in "normal" business as well as several specific projects These included the ACT-Accelerator Supplies Financing Facility and transactions related to the African Vaccine Acquisition Trust.

21. The ACT-Accelerator is a dedicated pooled fund managed by the UNICEF Supply Division procurement services team to procure key ACT-Accelerator supplies to support low- and middle-income countries in accessing the three categories of key COVID-19 supplies: immunization-related supplies, diagnostics and therapeutics.

22. The African Vaccine Acquisition Trust is a special purpose vehicle established to act as a centralized purchasing agent on behalf of the States members of the African Union to secure enough safe and efficacious COVID-19 vaccine doses to vaccinate at

least 60 per cent of the African population. This is based on a whole-of-Africa approach and complements initiatives such as the COVAX Facility. Partners in the initiative include the African Export-Import Bank, the Africa Centres for Disease Control and Prevention and the World Bank. UNICEF procures and delivers COVID-19 vaccines on behalf of the Trust to States members of the African Union, with the additional opportunity to provide supplemental logistics and related services for countries that request them.

23. For the COVAX Facility, the roll-out was at an unprecedented level, requiring significant coordination between all areas of the supply chain, in particular given the supply chain issues being faced worldwide with transportation and logistics.

24. The handling fee for standard procurement services increased by $25.19 million in line with the increased throughput and delivery of procurement supplies in 2021. In addition, the role of UNICEF as the procurement agent and coordinator for COVAX Facility arrangements added $8.44 million to the handling fees of Gavi, the Vaccine Alliance, in 2021. Revenue from the transfer of warehouse goods increased consistently with the rise in demand for COVID-19-related supplies for procurement services partners sourced directly from UNICEF warehouses.

25. UNICEF expanded its supplier base to turn vaccines into vaccinations to meet the increasing demand for syringes and delivered 849.5 million syringes to 92 countries. It procured and delivered 800 ultra-cold chain units that can store 200 million messenger ribonucleic acid (mRNA) vaccines requiring -80oC refrigeration to over 70 countries. In January 2022, WHO, UNICEF and Gavi, the Vaccine Alliance, jointly established the COVID-19 Vaccine Delivery Partnership, an inter-agency initiative building on existing resources globally, regionally and in-country to assess country needs better and help to accelerate vaccination coverage in countries that face the most significant challenges in reaching their targets.

Impact of the COVID-19 pandemic on programmatic inventories

26. At the start of the COVID-19 pandemic, prices of personal protective equipment rose significantly and supplies were constrained. As a result, UNICEF needed to secure enough supplies to support the pandemic response throughout its operations. The inventory value peaked at $312.0 million on 30 September 2020, falling to $197.23 million as at 31 December 2021 and $124.5 million as at 31 March 2022, valued at the original purchase price.

27. Since 2020, the markets for personal protective equipment have stabilized and, in line with IPSAS requirements to estimate and present the actual value of inventories in stock, the value of inventory held in UNICEF warehouses and country offices was reduced through a write-down of $126.43 million recorded at the end of 2021. This write-down represents the temporary reduction of inventory value as evidenced by the reduction in the replacement cost compared with the purchase price – the value at which items are recorded in the organization’s accounting records. The write-down consisted of $115.77 million in Supply Division warehouses and $10.66 million in UNICEF country office warehouses and represented reduced demand as the global pandemic subsided.

28. Despite the reduction in the carrying value of personal protective equipment inventory in line with IPSAS requirements, there is currently no indication of obsolescence. Personal protective equipment continues to be used – after the year end, as at 31 March 2022, $53.72 million (27 per cent) of the inventory held in the Supply Division’s warehouses has been shipped. Furthermore, $19.00 million (13 per cent) of the remaining inventory was undergoing a shipment process as at the same date. The expectation is that all inventories will be distributed over the next 12 to 24 months as there appears to be demand for the inventory in UNICEF programmes.

It is also deemed necessary to maintain higher stock levels than previously to ensure that the inventory issues experienced at the beginning of the global pandemic are not repeated in the advent of any future waves. Therefore, UNICEF does not believe that there is a risk of loss associated with the inventories sufficient to warrant an obsolescence provision being included at this stage.

Objectives and strategies

29. The final year of the UNICEF strategic plan for 2018 –2021, the financial year under review, built on key lessons from the previous strategic plan. The plan included increasing the ability of UNICEF to deliver results for children in four key ways: (a) aligning resources around common goals and strategies; (b) supporting its ability to make strategic choices; (c) creating more effective communication about the organization's work for the benefit of every child; and (d) strengthening its accountability framework.

30. In 2021, the financing gap between what is needed and what is currently available to achieve the Sustainable Development Goals in low- and middle-income countries by 2030 was estimated at approximately $2.5 trillion per year. The health, economic and social consequences of the COVID-19 pandemic further increased the financing gap. It is now more urgent to recover from pandemic losses and achieve planned progress towards the Goals.

31. Since new sources of financing the Goals have not been tapped into, it is the vision and ambition of UNICEF that public and private financing for development work together to enable significantly greater volumes of funding and financing to flow to the places and activities that will make the greatest difference in radically accelerating results and impacts for children. This entails: (a) leveraging and enhancing the impact of public finance; (b) new partnerships and creative complementary financing solutions, including capital markets and the integration of environmental, social and governance strategies; and (c) public and private funding and financing working together to achieve social outcomes. The objective is to leverage additional substantive investments in priorities for children. Some of this will flow through UNICEF, and an even larger portion will come from the broader range of public and private sources for funding and financing development outcomes for children.

32. In March 2021, the World Bank, through the International Bank for Reconstruction and Development, signed a five-year at-risk note (forward flow arrangement) for $50.00 million. This provides repayable funds to fill immediate gaps related to investment funds in private sector fundraising. The financing is disclosed under note 19, Other liabilities; revenue is included under note 23, Revenue from voluntary contributions; and interest is included under note 26, Finance costs.

33. Giga is an initiative launched by UNICEF and the International Telecommunication Union (ITU) in September 2019 to connect every school to the Internet and every young person to information, opportunity and choice. The Giga team accelerated work on key connectivity initiatives to provide connectivity and necessary services to high-impact countries. In 2021, UNICEF and ITU formalized and further specified their cooperation in connection with Giga by signing a memorandum of understanding that recalled the original objectives in the Giga project document. The memorandum of understanding clarified the relationship between the parties on resource mobilization, programmatic, financial and reporting responsibility and contracting arrangements. UNICEF concluded that Giga was to be accounted for as a joint operation (see note 38, Joint operations).

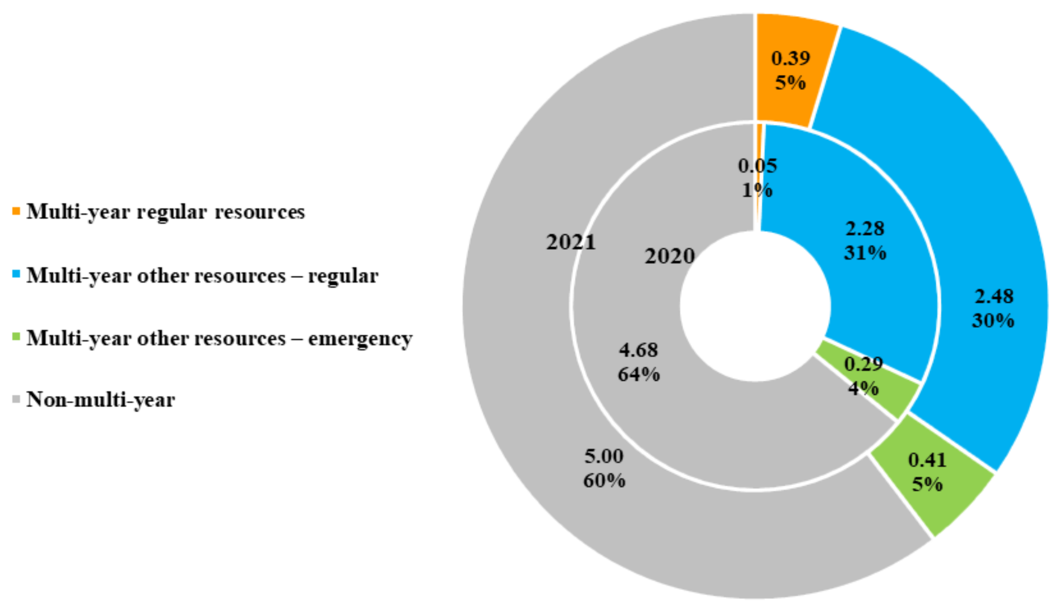
34. In 2021, UNICEF transitioned a significant component of its digital service delivery operations to Valencia, Spain, to adopt a lower-cost, multi-location operating model.

Financial performance: revenue

35. As the UNICEF programmatic response to the COVID-19 pandemic continued alongside other activities to support the most vulnerable, UNICEF saw growth in both donations and procurement services. Voluntary contributions revenue increased to a record high of $8.29 billion (2020: $7.30 billion), including $1.30 billion of voluntary contributions fully earmarked for the COVID-19 pandemic response, mainly for the ACT-Accelerator.

36. UNICEF revenue includes multi-year voluntary contributions related to agreements covering a period of more than two years, which showed an increase of $0.66 billion, or 25 per cent, to $3.28 billion in 2021. Multi-year funding allows for certainty in planning for development activities and is reflected as part of UNICEF reserves until spent. The increase in multi-year contributions revenue was driven mainly by regular resource contributions from donors towards the new strategic plan for 2022–2025 (see figure IV.III) and continued support from donors such as the World Bank for restoration and capital projects in Yemen.

Figure IV.III
Multi-year and non-multi-year revenue from voluntary contributions
(Billions of United States dollars)



Note: Multi-year regular resources include regular resources – programme, and regular resources – other.

Table IV.1
Revenue from multi-year regular resources
(Millions of United States dollars)

	2021	*2020*
Sweden	265.87	0.69
United Kingdom of Great Britain and Northern Ireland	–	14.26
Belgium	68.79	1.18
Netherlands	(1.80)	3.25
Australia	14.99	15.14

	2021	*2020*
Switzerland	21.47	0.10
Canada	0.13	(0.48)
Luxembourg	18.29	3.28
Denmark	(0.85)	20.55
New Zealand	0.03	0.15
Total revenue from multi-year regular resources	**386.92**	**58.12**

Note: Revenue is recognized, for the most part, in the year in which the agreement is signed, and amounts in other years (including negative amounts) represent revaluation due to exchange rate fluctuations on receivables recognized as cash collected over the full funding period. The classification of the agreement for Luxembourg for 2020 was updated as multi-year during 2021.

37. The most significant donors to the total revenue from voluntary contributions were the United States of America ($992.34 million), Germany ($855.16 million), the European Commission ($642.43 million) and Sweden ($508.09 million).

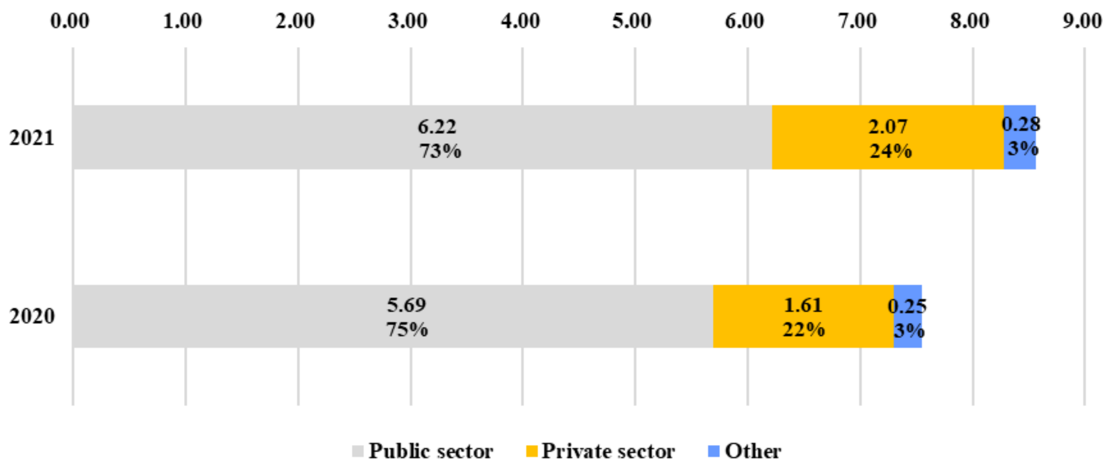
38. The largest total increases in voluntary contributions in 2021 were recorded for Sweden (increase of $383.25 million to $508.09 million), Gavi, the Vaccine Alliance ($219.86 million to $313.53 million), the United States Fund for UNICEF ($165.72 million to $483.76 million) and Canada ($143.54 million to $200.87 million). However, this was partially offset by decreases recorded for the Global Partnership for Education (decrease of $279.06 million to $152.41 million), Norway (decrease of $120.23 million to $158.29 million) and the United Kingdom of Great Britain and Northern Ireland (decrease of $57.91 million to $284.72 million).

39. Public sector entities continued to be the largest donors, recording $6.22 billion in revenue in 2021 (2020: $5.69 billion), representing 73 per cent (2020: 75 per cent) of the total revenue. This increase represented an absolute increase of $0.53 billion, or 9 per cent (2020: 20 per cent), relative to 2020, owing mainly to contributions from Governments and other public sector entities (see paras. 37 and 38).

40. Revenue from the private sector accounted for 24 per cent of the total (2020: 22 per cent), surpassing the $2 billion mark for the first time by reaching $2.07 billion (2020: $1.61 billion). This was an increase of $0.47 billion, or 29 per cent, compared with the prior year. Private sector revenue includes funds raised by National Committees, the 33 independent non-governmental organizations that promote children's rights in industrialized countries and raise funds for UNICEF programmes worldwide.

41. Also included in private sector revenue is $376.39 million (2020: $149.98 million) in donations fully earmarked for the COVID-19 pandemic response, including $125.50 million from the United States Fund for UNICEF and $70.99 million from the Danish Committee for UNICEF. Overall, the United States Fund for UNICEF had the most significant increase in donations in the private sector, of $165.72 million to $483.76 million, followed by the United Kingdom Committee for UNICEF, which recorded an $81.41 million increase to $176.73 million.

Figure IV.IV
Revenue by source
(Billions of United States dollars)



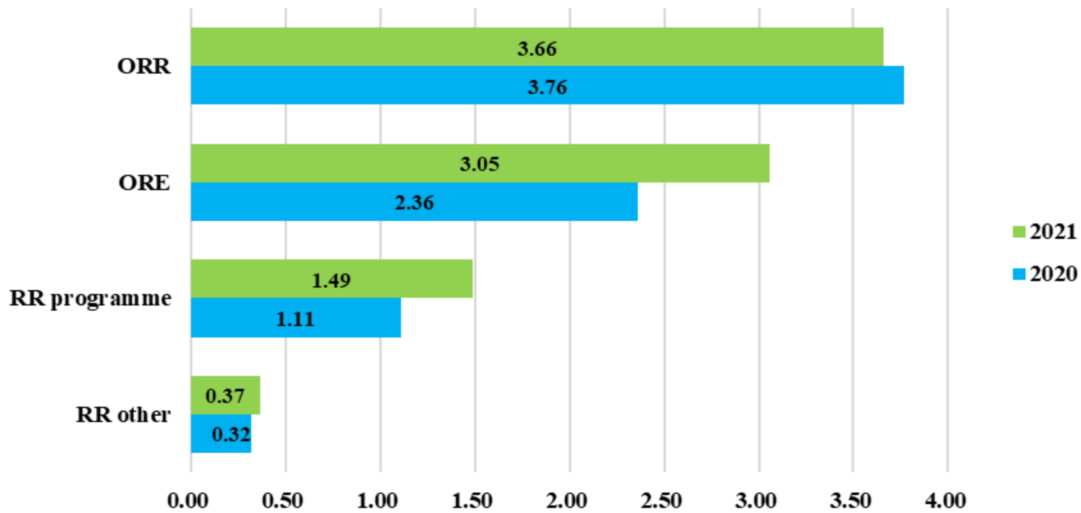
Note: Public sector includes Governments, intergovernmental organizations and interorganizational arrangements. Other includes licensing fees, procurement services fees, investment and other revenue.

42. Since the start of the World Bank forward flow arrangement, $177.28 million (2020: nil) in cumulative unearmarked contributions was recognized as revenue relating to donations from private individuals from the 23 countries. The donations from individual and pledge donors contributed to the increase in revenue from the private sector in 2021.

43. Other revenue consisting of licensing fees, procurement services fees, investments and miscellaneous revenues consistently representing 3 per cent of total revenue increased by 13 per cent ($30.81 million) to $276.85 million, driven mainly by procurement services activities, including from COVAX Facility arrangements.

44. While revenue from the majority of segments in UNICEF increased significantly in 2021, the other resources – regular segment experienced a decrease as donor funding was directed towards responding to the pandemic (other resources – emergency segments). Other donors, such as Luxembourg and Sweden, contributed towards the strategic plan for 2022–2025 through unearmarked donations for regular resources.

Figure IV.V
Total revenue by segment
(Billions of United States dollars)



Note: Regular resources – other includes non-programme investment revenue, trust funds, fundraising retentions and contributions to management costs.
Abbreviations: ORE, other resources – emergency; ORR, other resources – regular; RR, regular resources.

45. Revenue for UNICEF includes an increase in unearmarked regular resources for programmatic activities of $0.38 billion, or 34 per cent, driven mainly by $265.18 million in contributions from Sweden towards the strategic plan for 2022–2025, as noted above. This unearmarked funding gives UNICEF maximum flexibility within its Financial Regulations and Rules and amounts to $1.49 billion, or 17 per cent of total revenue (2020: 15 per cent).

46. Total revenue from other resources includes thematic funding of $762.12 million, or 9 per cent of total revenues (2020: $441.14 million, or 6 per cent), driven mainly by cross-sectoral funding. Thematic funding gives UNICEF flexibility of use within the specified thematic area, such as education, nutrition, water, sanitation and hygiene and health activities based on where the needs are most significant and the greatest impact can be made. Included within thematic funds in 2021 is $233.95 million (2020: $86.43 million) related to the COVID-19 pandemic response, including the ACT-Accelerator.

47. Revenue from other resources – regular decreased in composition from 50 per cent in 2020 to 43 per cent of total revenue, at $3.66 billion (2020: $3.76 billion). Various donors drove the decrease, but the most notable decreases in contributions were from the Global Partnership for Education ($279.06 million), Norway ($143.95 million) and the United States ($85.87 million). However, these decreases were offset by increases by Canada of $83.06 million and by the United Kingdom Committee for UNICEF of $65.43 million. The increases from these donors contribute to various activities, including support for polio endgame strategy and multi-country child wasting collaboration.

48. Revenue from other resources – emergency recorded the largest absolute increase of $695.99 million, or 30 per cent, to $3.05 billion (2020: $2.36 billion). This was driven mainly by contributions from the United States of $757.63 million ($163.97 million fully earmarked for the pandemic response) for humanitarian-related activities in

Jordan, Lebanon and Somalia and continued support for the third cycle of the Regional Refugee and Resilience Plan for the Syrian Arab Republic. In addition, Japan and the European Commission granted donations of $252.46 million and $218.47 million, respectively. These donations included $130.62 million from Japan and $42.27 million from the European Commission fully earmarked for the pandemic response.

49. Other revenue of $276.85 million relates mainly to investment revenue of $55.58 million, procurement services handling fees, including fees of $57.00 million earned as the lead coordinator for global COVAX Facility arrangements, and other miscellaneous revenues.

Table IV.2
Five-year trend in revenue
(Thousands of United States dollars)

	2017	*2018*	*2019*	*2020*	*2021*
Revenue					
Regular resources – programme	1 220 417	1 561 315	1 106 310	1 107 394	1 488 502
Regular resources – non-programme	57 683	66 641	63 579	73 989	90 144
Other resources – regular	3 026 270	2 941 001	2 980 924	3 763 183	3 660 255
Other resources – emergency	2 126 629	1 926 293	2 050 081	2 357 738	3 053 833
Total voluntary contributions revenue	**6 430 999**	**6 495 250**	**6 200 894**	**7 302 304**	**8 292 734**
Other revenue	74 046	79 846	85 223	153 913	221 269
Investment revenue	71 699	100 662	126 154	92 134	55 583
Total revenue	**6 576 744**	**6 675 758**	**6 412 271**	**7 548 351**	**8 569 586**

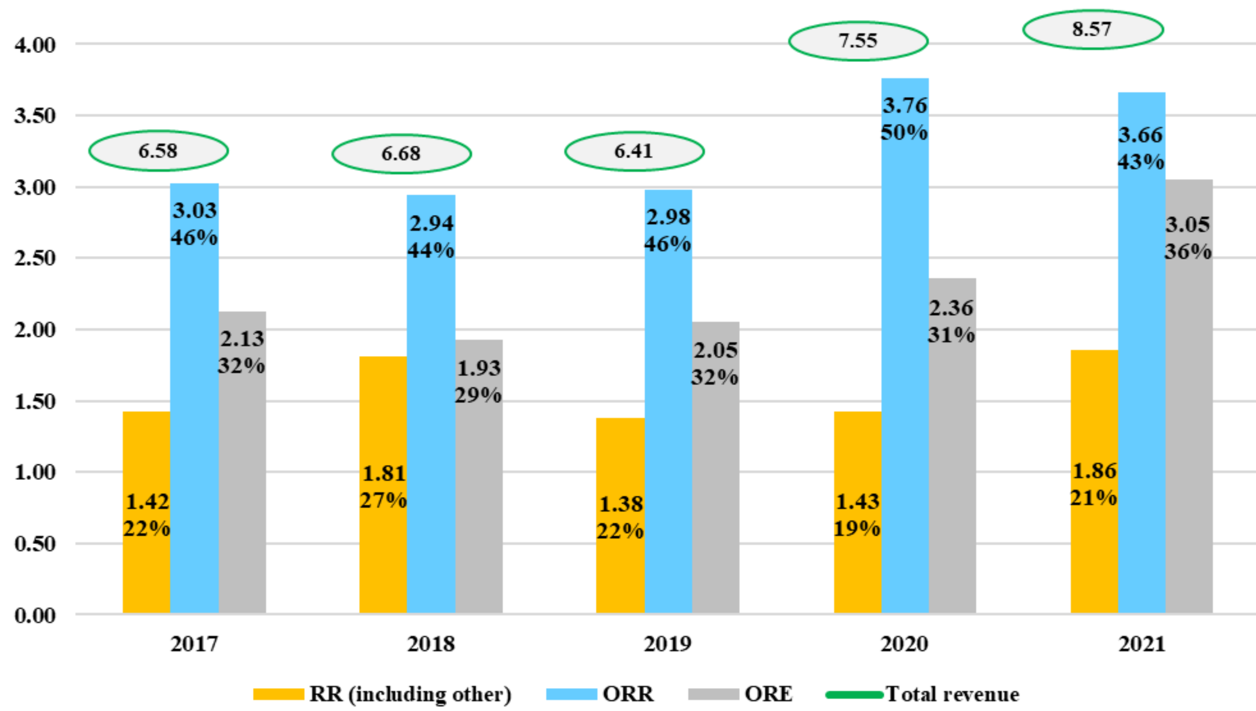
50. Over the past five years, total UNICEF revenue has grown by 30 per cent ($1.99 billion) from $6.58 billion in 2017 compared with $8.57 billion in 2021, with the sharpest increases recorded in 2020 and 2021. The increase in 2020 was driven mainly by revenue from other resources – regular, which grew by 26 per cent year on year. However, other resources – emergency contributed significantly in 2021, increasing by 30 per cent compared with the prior year as funds continued to be donated towards the COVID-19 response and the ACT-Accelerator.

51. Other resources – regular have accounted for the largest portion of total revenue over the past five years, growing from 46 per cent in 2017 to 50 per cent in 2020 but declining to 43 per cent in 2021. Growth in the five-year revenue trend included an increase in 2017 attributable to $520.32 million in donations from the World Bank for humanitarian development in Yemen in the emergency response context (2019: $245.58 million). The increases in contributions to other resources – regular for 2021 were driven by Germany and the European Commission, with activities targeted towards education, resilience, nutrition and water, sanitation and hygiene programmes in Afghanistan and Lebanon, and included help to improve health outcomes for the population of Zimbabwe.

52. Other resources – emergency recorded a sharp decrease of 9 per cent in 2018, followed by steady increases to 15 per cent in 2020, followed thereafter by the most significant increase in the five-year period of 30 per cent in 2021, driven by funding raised for the COVID-19 response and the ACT-Accelerator. These increases were also driven by contributions from the United States towards humanitarian-related activities in Jordan, Lebanon and Somalia and continued support for the third cycle of the Regional Refugee and Resilience Plan for the Syrian Arab Republic.

53. Revenue from regular resources – programme fluctuated throughout the five-year period, recording a significant increase of 28 per cent in 2018, followed by a steep decrease of 29 per cent in 2019 and a large increase of 34 per cent in 2021, driven by contributions towards the strategic plan for 2022–2025 from Sweden to help UNICEF to better plan activities that are dependent on this flexible funding source, and local contributions from the Japan National Committee for UNICEF. Included within regular resources – other is other revenue from investment and procurement services that averaged 17 per cent over the five years (see figure IV.VI).

Figure IV.VI
Five-year trend in revenue, by segment
(Billions of United States dollars)



Note: Regular resources include investment revenue, trust funds, fundraising retentions and contributions to management costs.
Abbreviations: ORE, other resources – emergency; ORR, other resources – regular; RR, regular resources.

Foreign exchange

54. Consistent with prior years, approximately half of the voluntary contributions of UNICEF continued to be denominated in currencies other than the United States dollar, resulting in currency valuations and foreign exchange fluctuations affecting the amount of revenue recorded. In 2021, recorded losses of $72.61 million (2020: gains of $108.19 million) were driven primarily by changes in the United States dollar against the euro, with losses of $56.77 million (2020: gains of $69.47 million), and the Swedish krona, with losses of $9.47 million (2020: gain of $22.59 million).

55. In line with the UNICEF Financial Regulations and Rules, such foreign exchange gains and losses are reflected against donor contribution and as part of revenue recognized.

56. The detail of foreign exchange gains by segment is presented in table IV.3.

Table IV.3
Foreign exchange (losses)/gains on voluntary contributions
(Thousands of United States dollars)

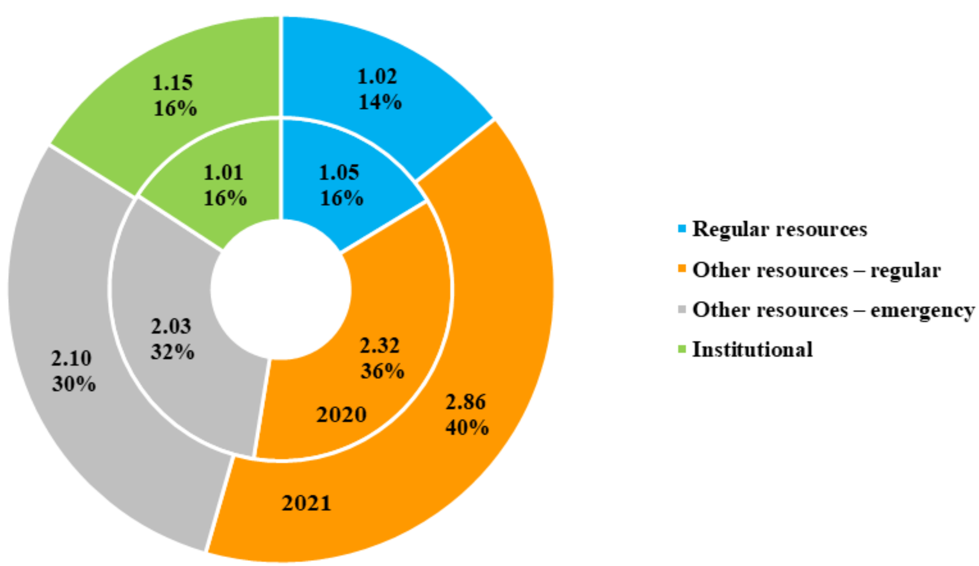
	2021	*2020*
Regular resources – (programme and non-programme)	(9 299)	7 436
Other resources – regular	(51 251)	81 524
Other resources – emergency	(12 060)	19 229
Total foreign exchange (losses)/gains on voluntary contributions	**(72 610)**	**108 189**

57. UNICEF actively manages foreign currency risk through external investments, natural hedges and forward contracts with open positions of $231.62 million (2020: $186.67 million) at year end. This is included with other current liabilities alongside forward contracts relating to externally managed funds. Foreign exchange management activities yielded foreign exchange gains of $13.33 million, representing a decrease compared with gains of $59.02 million in the prior year. These are included under net gains of $73.27 million (2020: $73.82 million) in the financial statements as they do not relate directly to specific contributions revenue agreements.

Expenses

58. Total expenses of UNICEF for 2021 increased by 11 per cent ($0.73 billion) to $7.14 billion compared with the prior year, with $5.99 billion of the total relating to programmatic activities. Although revenue from other resources recorded the largest increase in 2021 (see para. 47), other resources – regular programme expenses were the largest as the implementation of funding received in the current and prior periods increased, as noted in figure IV.VII.

Figure IV.VII
Expenses by segment
(Billions of United States dollars)



Note: Regular resources includes regular resources for programme and trust funds. Regular resources – other is included under the institutional fund.

59. The organization's expenses in each category were fairly comparable year on year, with cash assistance to implementing partners and beneficiaries comprising the largest expense of $2.50 billion (2020: $2.26 billion), or 35 per cent of total expenses incurred; transfers of programme supplies of $1.29 billion (2020: $1.15 billion), or 18 per cent of total expenses; and employee salaries and entitlements of $1.72 billion (2020: $1.66 billion). Employee salaries and entitlements relate to UNICEF employees in all of the organization's areas of operations but relate primarily to staff directly involved in programme implementation.

60. Total cash-based assistance to implementing partners and beneficiaries increased by $230.98 million, or 10 per cent, in 2021. This consisted of a 7 per cent ($138.90 million) increase of transfers to implementing partners and a 41 per cent ($92.08 million) increase in cash transfers directly to beneficiaries, driven mainly by an $81.48 million increase related to programmatic implementation activities in Yemen funded by the World Bank.

61. The implementation of programmes in Mozambique, Zimbabwe and Ethiopia drove the transfer of cash-based assistance to implementing partners, with increases of $28.67 million, $25.86 million and $23.29 million, respectively. In Mozambique, the cash transfers to implementing partners for social support and COVID-19 response activities and post-cyclone relief efforts increased compared with the prior year. Similarly, in Zimbabwe, joint programmes related to health, the health development fund and the education development fund contributed to an increase in cash assistance to implementing partners.

62. The increases noted above were offset by decreases in transfers to implementing partners in Lebanon ($84.84 million). Similarly, Yemen recorded a decrease of $15.99 million as programmatic implementation shifted more towards direct cash transfers to beneficiaries, as noted in paragraph 60.

63. The transfer of programme supplies increased by 13 per cent ($147.43 million) to $1.29 billion (2020: $1.15 billion) as restrictions were lifted and programme implementation activities, including in response to the COVID-19 pandemic, continued. Growth was most notable in offices in countries such as India, which recorded a $43.37 million increase driven mainly by COVID-19 response activities targeted at managing the outbreak and vaccinations. In addition, a $31.67 million increase in Lebanon was attributable mainly to water, sanitation and hygiene programme activities, while the $17.26 million increase in Yemen was driven mainly by nutrition and health service delivery and humanitarian water, sanitation and hygiene response activities.

64. In 2021, investment funds for the development of private sector fundraising are presented separately on the financial statements, in line with its continued growth and the injection of funds to support its expansion through the forward flow agreement. These expenses increased by 18 per cent ($17.12 million), driven mainly by expenses incurred in emerging market countries to expand the base for raising core funding for UNICEF.

65. Other expenses increased by $243.82 million, or 31 per cent, driven mainly by the inventory write-down of items of personal protective equipment (see paras. 26–28).

66. Programme-related expert services increased by $32.52 million, or 8 per cent, owing to COVID-19 pandemic response activities that contributed to an overall increase of $37.41 million in 2021. However, this was offset by decreases in humanitarian activities for Syrian refugees ($7.86 million), a $4.69 million reduction in Ebola response programme activities in the Democratic Republic of the Congo and programme-related expert services related to Rohingya activities in Bangladesh ($1.72 million). Expenses for programme-related professional and expert services

include fees paid to third parties for professional and consultancy services related to programmatic activities, technical support in specific programme areas and other programmatic services.

Figure IV.VIII
Total expenses by goal area – 2021
(Billions of United States dollars)

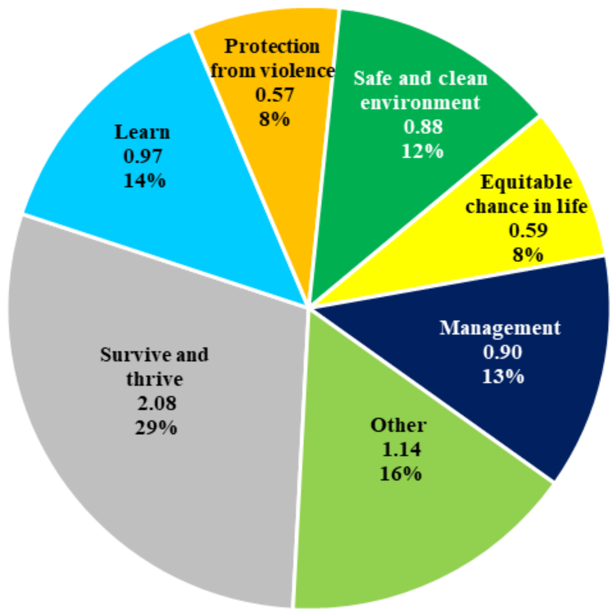


Table IV.4
Five-year trend for expenses
(Thousands of United States dollars)

	2017	*2018*	*2019*	*2020*	*2021*
Expenses					
Cash assistance	2 224 658	2 263 176	2 351 947	2 264 525	2 495 501
Transfer of programme supplies	1 086 237	986 908	981 634	1 145 741	1 293 167
Employee benefits	1 310 272	1 416 290	1 519 506	1 657 747	1 716 192
Depreciation and amortization	18 800	21 914	23 890	25 076	24 260
Investment funds for development of private sector fundraising	56 891	107 147	117 288	96 344	113 463
Other expenses	689 994	740 474	792 114	792 390	1 036 213
Programme-related expert services	473 688	431 201	472 859	421 904	454 427
Finance costs	2 893	2 647	2 385	2 106	2 708
Total expenses	**5 863 433**	**5 969 757**	**6 261 623**	**6 405 833**	**7 135 931**

67. Total expenses rose significantly by 22 per cent ($1.27 billion) from 2017 to 2021 as programme implementation increased in response to humanitarian activities and, most recently, in response to the COVID-19 pandemic. This was a 6 per cent average increase, driven by recorded increases year on year of 8 per cent in 2017 and

11 per cent in 2021. Smaller increases of 2 per cent were recorded in both 2018 and 2020, while in 2019 there was a 5 per cent increase.

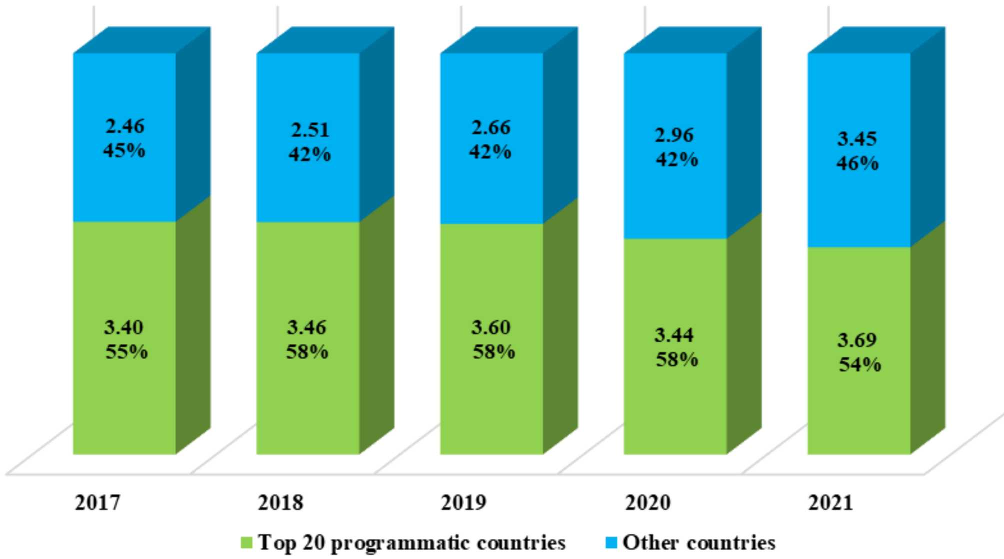
68. The transfer of cash assistance increased the most over the five-year period, recording the most significant increase of 13 per cent ($253.02 million) in 2017, driven primarily by humanitarian response transfer activities in Yemen and increased transfers to implementing partners in Lebanon and Türkiye. Similarly, a large increase of 10 per cent ($230.98 million) was recorded in 2021 as humanitarian response activities continued, driven by the significant amount of cash transfers to beneficiaries in Yemen and transfers to implementing partners in Mozambique and Zimbabwe. However, a net decrease of 4 per cent ($87.42 million) in 2020 was recorded, driven by the successful winding down of programmes in some countries, such as Nigeria, which was certified as poliovirus-free in August of 2020.

69. The transfer of programme supplies recorded decreases from 2017 to 2019 (5 per cent, 9 per cent and 1 per cent), followed by significant increases of 17 per cent ($164.11 million) and 13 per cent ($147.43 million) in 2020 and 2021, driven by COVID-19 pandemic response activities globally and emergency response programmes such as the response to health and nutrition. In addition, UNICEF continued to construct public sanitation facilities, drinking and wastewater networks and infrastructure, schools and classrooms, regional warehouses (hubs), vaccine cold chain stores, health-care facilities and shelters and implement safe school programmes.

70. Employee benefits recorded a 7 per cent average increase over the five-year period in line with increased programme implementation.

71. Other expenses recorded an overall 50 per cent ($346.22 million) increase over the five years, driven mainly by procurement services, the cost of goods and the inventory write-down. The procurement services cost of goods increased significantly by $94.07 million (associated revenue is included under other revenue) over the five-year period in line with COVID-19 response activities. However, these increases are offset by $78.89 million in travel expenses, most notably in 2020 and 2021, driven by restrictions in response to the COVID-19 pandemic that had an impact on travel.

Figure IV.IX
Total expenses for the 20 largest programme countries
(Billions of United States dollars)



72. The largest 20 programmatic countries have accounted for between 54 and 58 per cent of total annual expenses over the past five years. This is driven mainly by: Yemen (average expenses of $488.23 million); the scaled-up response in countries surrounding the Syrian Arab Republic such as Türkiye and Lebanon, which recorded average expenses of $173.87 million and $312.80 million; and humanitarian response activities in Afghanistan ($178.83 million) over the five-year period. In addition, large programmes such as the polio eradication programmes in Nigeria and Pakistan contributed to significant expenses of $259.18 million and $164.87 million as a five-year average. However, these programmes wound down in 2020.

UNICEF surplus and net assets

73. Overall, UNICEF recorded a surplus of $1.51 billion in 2021 (2020: $1.22 billion), which is added to its net assets (reserves). The surplus represents guaranteed funding available for programmatic activities in future years in line with donor agreements. The increase in the surplus of 24 per cent is in line with increased recognized multi-year revenue of 25 per cent, as noted above. The reserves for regular resources increased from $647.40 million to $757.53 million, driven mainly by multi-year contributions for the new strategic plan period.

Working Capital Fund

74. Subsequent to the approval of the Working Capital Fund by the Executive Board in 2020, $27.00 million was funded from a portion of treasury earnings, contributing $2.91 million to the organization's expenses in 2021(see note 22, Net assets). A repayment period of no more than 24 months, as determined by the Comptroller, will ensure the continued financing of programme implementation.

Financial position

75. As at the end of 2021, the total assets of UNICEF were $19.03 billion (2020: $13.02 billion), as shown in table IV.5.

Table IV.5
Statement of financial position: assets
(Thousands of United States dollars)

			Variance	
	2021	*2020*	*United States dollars*	*Percentage*
Assets				
Cash and cash equivalents	604 378	710 257	(105 879)	(15)
Receivables (current and non-current)	4 125 847	3 776 479	349 368	9
Advances of cash assistance	829 119	790 977	38 142	5
Inventories	586 574	757 925	(171 351)	(23)
Investments (current and non-current)	9 281 138	5 790 245	3 490 893	60
Other assets (current and non-current)	173 518	116 617	56 901	49
Procurement services related assets	3 190 769	819 505	2 371 264	289
Property, equipment and intangible assets	240 342	257 435	(17 093)	(7)
Total assets	**19 031 685**	**13 019 440**	**6 012 245**	**46**

Cash and investments

76. A significant portion of the assets that UNICEF manages in support of its institutional and programmatic activities comprises cash and investments of $9.89 billion (2020: $6.50 billion). Most of the cash and investment assets are low-risk investments in fixed income instruments, such as bonds, certificates of deposit and term deposits.

77. UNICEF has a responsibility to ensure that its funds are invested in a way that supports short-term liquidity to meet institutional and programmatic needs and promotes the long-term sustainability of the organization's operations to support the implementation of its strategic plan. Accordingly, the investment philosophy and strategies assure the preservation of capital by minimizing exposure to undue risk of loss or impairment while maintaining a reasonable expectation of fair return or appreciation.

78. UNICEF manages its investment portfolio risk using various short- and long-term financial instruments. The short-term investment strategy is designed to focus on safety and liquidity while capturing reasonable rates of return, by investing in highly rated financial assets in cash and cash equivalents, short-term investments and emerging markets. The longer-term strategy is based on investing primarily in traded bonds.

Available cash

79. The UNICEF Financial Regulations and Rules indicate that, to ensure liquidity, the Comptroller should maintain cash balances at the levels approved by the Executive Board. UNICEF holds reserves for long-term employee liabilities, such as after-service health insurance, the Working Capital Fund and other Board-approved reserves, which stood at $1.04 billion (2020: $901.40 million) at year end.

80. The cash available for regular resources, after taking into account payables and other commitments as well as cash reserves, was $334.40 million. The available cash was $2.70 billion for other resources – regular, after considering commitments, and $624.50 million for other resources – emergency.

Procurement services-related assets

81. Procurement services-related assets recorded a significant increase of 289 per cent ($2.37 billion) to $3.19 billion (2020: $819.51 million), due mainly to funds received in the final quarter of 2021 for the COVAX Advance Market Commitment and for financial backings for long-term agreements such as for rotavirus. In 2021, procurement services-related assets were discussed separately owing to the materiality of the balance.

Receivables and other assets

82. The funding partners of UNICEF provide multi-year agreements that are essential for forward planning and demonstrate the long-term commitment by donors to achieve results for children. Contributions receivable increased by 9 per cent, consistent with increases in revenue from voluntary contributions of 14 per cent to $4.01 billion in 2021 (2020: $3.69 billion). These balances mainly comprise multi-year contributions for programmatic activities in 2021 and subsequent years of 60 per cent of the total contributions receivable, which was fairly consistent with the prior year.

83. Other receivables of $114.75 million (2020: $89.93 million) pertain mainly to value added tax receivables, mostly from expected growth in purchase transactions over the year, in line with the expansion of programmatic activities in many countries. While most government reimbursement schemes are based on quarterly submission cycles, delays in processing are typical and lead to the accumulation of receivables.

84. Other assets of $173.52 million (2020: $116.62 million) pertain mainly to down payments to vendors, in particular for procurement services purchases.

Cash advances

85. Cash advances to implementing partners for which implementation reports had not been received at year end increased by $38.14 million, to $829.12 million, in 2021 (2020: $790.98 million), consistent with the overall increase in cash transfers. There are no significant old outstanding cash advances either individually or in total. Balances over nine months decreased further in composition and account for 1 per cent (2020: 2 per cent) of total cash advances.

Inventories

86. UNICEF holds inventory for programmatic purposes, to distribute to beneficiaries and implementing partners. The total UNICEF inventory held worldwide decreased by $172.46 million to $585.15 million, driven mainly by the estimate of the inventory write-down of $126.43 million recorded at the end of the year (see paras. 27 and 28).

87. Inventory was held in 201 warehouses, with locations added to support the response to the global COVID-19 pandemic as offices needed to procure more supplies as part of the programme response. The organization’s inventory at the 2021 year end included large stocks of personal protective equipment and syringes needed for the COVID-19 response, as well as therapeutic food and medical and sanitation supplies for regular programming.

88. UNICEF tracks goods in-transit both from suppliers and from UNICEF-controlled warehouses to implementing partners separately, given that this additional information provides relevant insight into the location of UNICEF-controlled commodities. Of the total inventory, $116.81 million (2020: $100.47 million) was in

transit from the suppliers to UNICEF-controlled locations, and $57.22 million (2020: $91.11 million) to implementing partners and between UNICEF warehouses and plants.

89. Supplies worth $39.60 million (2020: $47.44 million) were held as "pre-positioned" in readiness for a sudden onset of an emergency.

90. Included as part of the inventory at year end were costs of incomplete programme construction for new facilities that had not yet been handed over to Governments and communities. This included an increase of $15.11 million to $33.29 million, driven mainly by the construction of water supply, hygiene and sanitation systems ($21.82 million), schools and childhood development centres ($4.46 million), health-care facilities ($3.73 million) and vaccine and cold chain storage ($2.33 million).

Liabilities

91. Liabilities are defined as present obligations arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential. UNICEF had total liabilities of $8.70 billion (2020: $4.12 billion) at year end, relating in large part to funds held on behalf of third parties of $4.95 billion (2020: $1.42 billion) and after-service employee benefits of $2.02 billion (2020: $1.89 billion). Liabilities are detailed in table IV.6 and the paragraphs that follow.

Table IV.6
Statement of financial position: liabilities
(Thousands of United States dollars)

			Variance	
	2021	*2020*	*United States dollars*	*Percentage*
Liabilities				
Accounts payable	1 013 471	316 447	697 024	69
Contributions received in advance (current and non-current)	13 690	14 876	(1 186)	(9)
Funds held on behalf of third parties	4 954 123	1 423 844	3 530 279	71
After-service health insurance and other employee benefits (current and non-current)	2 022 401	1 888 313	134 088	7
Other liabilities and provisions (current and non-current)	700 151	476 180	223 971	32
Total liabilities	**8 703 836**	**4 119 660**	**4 584 176**	**53**

Funds held on behalf of third parties

92. Total liabilities in UNICEF financial statements at the end of the year include $4.95 billion (2020: $1.42 billion), representing funds held on behalf of third parties, primarily Governments and organizations that requested UNICEF to procure supplies for activities that benefit children and complement UNICEF programmes.

Accounts payable and other liabilities

93. Accounts payable and accrued liabilities recorded an increase of $697.02 million, due mainly to increased accrued liabilities of $663.77 million related to procurement services for Gavi, the Vaccine Alliance, and other vaccine providers whose invoices were received after the year end.

94. The increase in other liabilities is driven mainly by firm contract liabilities that increased by $90.01 million to $235.56 million in 2021. These other liabilities are recorded where UNICEF has committed to procure minimum order quantities for vaccines under firm long-term agreements, including for rotavirus and yellow fever.

95. Also included within other liabilities is a $50.00 million forward flow arrangement representing a five-year loan agreement, with a 1.909 per cent effective interest rate to be paid semi-annually. There are no call provisions, conversion privileges, restrictions or assets pledged as security for the loan.

96. UNICEF also held $229.26 million (2020: $187.18 million) of forward contracts at year end.

After-service health insurance and other long-term employee benefits

97. A smaller increase in annual leave of $14.17 million to $175.63 million (2020: $41.29 million increase to $161.46 million) was recorded, driven by a 4 per cent increase in staff salaries and a 7 per cent increase in the overall annual leave balance. The increase in annual leave is significantly reduced compared with 2020, primarily in relation to the impact of staff now taking their planned leave entitlements as a result of restrictions related to the global pandemic being lifted. As from 31 March 2022, special provisions to carry over annual leave were discontinued as the special measures introduced as a result of the pandemic were officially discontinued.

98. UNICEF provides its staff with after-service health insurance benefits and other employee benefits. A valuation carried out by an external firm for the 2021 year end estimated employee benefit liabilities at $1.83 billion (2020: $1.71 billion), and this has been recognized as a liability in full in the financial statement of UNICEF (see note 20, Employee benefits liabilities).

99. An increase of 7 per cent related to after-service health insurance and other employee benefits was driven by a combination of the results of the actuarial study carried out by the external firm attributable to the salary increase rate assumptions to mirror those of the United Nations Joint Staff Pension Fund and the increase in the discount rate used for the estimation. The financial assumptions contributed a gain due to the increase of the discount rate and the decrease of the Swiss franc health-care trend, compensated in part by the impact of the United States dollar health-care trend. The financial gains were offset by losses in the demographic category due to the update of the mortality assumptions and changes in turnover and retirement rates. This resulted in a smaller actuarial loss of $10.97 million compared with the loss of $109.53 million in 2020.

100. The Task Force on Accounting Standards decided to authorize the development of mortality tables in the same manner as the 2017 United Nations Joint Staff Pension Fund tables but weighted by headcount rather than by annuity size. It was agreed that headcount-weighted tables may be a suitable refinement in the estimate for use in after-service health insurance valuations since the benefits are more closely aligned with a per capita formula.

101. The probability of retirement was also updated to 100 per cent from 65 years and above to reflect the United Nations mandatory age of separation at 65 years. In line with the recommendation of the Task Force, the post-retirement mortality table used in 2021 was the weighted headcount mortality table.

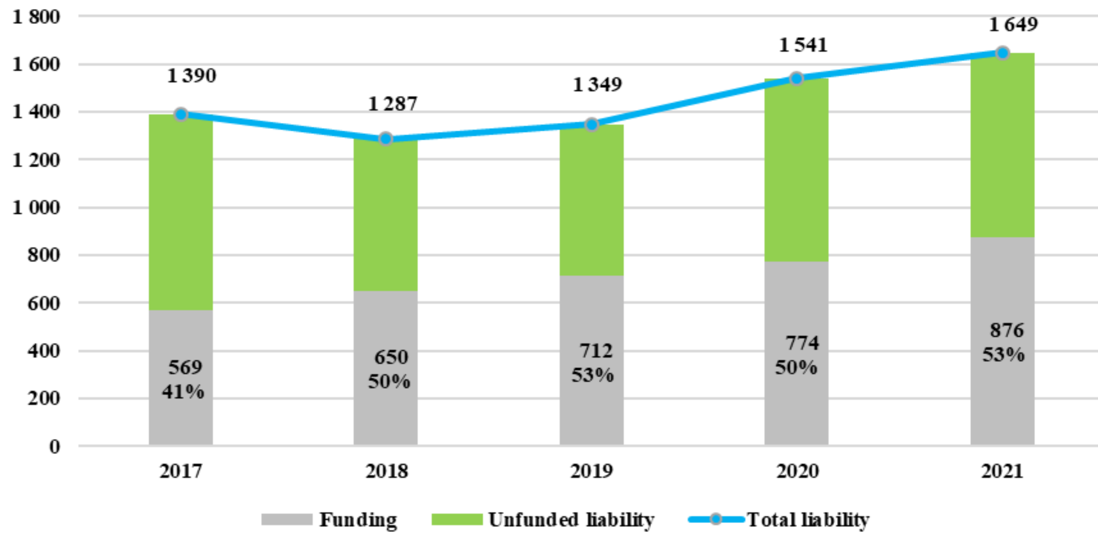
102. The actuarial losses of $10.97 million, recognized directly in net assets, are due mainly to the factors discussed in the paragraphs above.

103. UNICEF has $1.01 billion (2020: $897.63 million) in its after-service health insurance, separation and other reserves for meeting these obligations and continues

to set aside funds to meet these liabilities as they fall due. Total funding as a percentage of long-term employee benefits liabilities increased to 55 per cent in 2021 as the funding set aside increased at a rate of 13 per cent compared with the 7 per cent increase in employee benefits liabilities.

104. After-service health insurance funding improved in 2021 at 53 per cent compared with 2020 (50 per cent), which was affected mostly by the actuarial valuation results. Actuarial gains and losses cause the funding position to fluctuate year on year. Table B.5 of note 20 to the UNICEF financial statements shows the estimated benefit payments net of participant contributions to be $318.39 million in total for the next 10 years. In the light of this, the current funding rate is comfortably sufficient to sustain the organizational expected benefit payments for the long term.

Figure IV.X
After-service health insurance funding
(Millions of United States dollars)



105. External investment managers manage a portion of the after-service health insurance funds set aside in the related insurance reserve, with the objective of earning returns that contribute to the long-term funding of the after-service health insurance liability. To further improve long-term rates of return on such funds, UNICEF transferred an additional $22.00 million to the external fund managers in June 2021.

106. At the end of the year, the value of the investments managed by the external fund managers was $784.97 million (2020: $691.23 million). The increase in the fair value of the investments at year end was driven primarily by the positive fair value increase in the equity instruments of $34.75 million (2020: $46.64 million) and in fixed income instruments of $28.19 million (2020: $35.37 million) at year end.

107. UNICEF also held $122.40 million (2020: $91.59 million) in assets related to forward contract derivatives as part of the after-service health insurance investments managed by the external investment managers, along with offsetting forward contracts in loss of $120.36 million (2020: $92.10 million), resulting in a net gain position of $2.03 million (2020: loss $0.51 million).

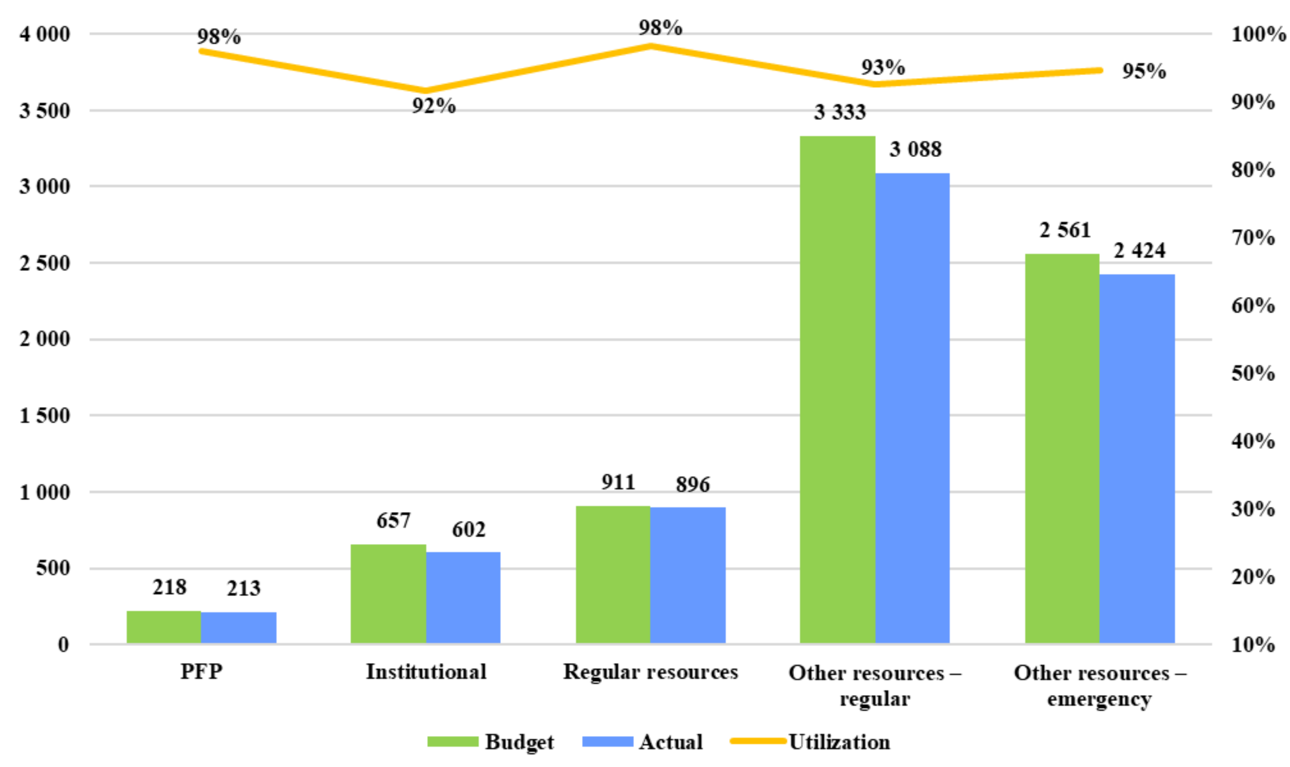
Budgetary performance

108. The statement of comparison of budget to actual allocated amounts spent for the year ended 31 December (statement V) compares UNICEF budgets, which are approved by the Executive Board, to the actual amounts incurred against them. Unlike the other financial statements, which are prepared under the IPSAS full-accrual basis, statement V is prepared and presented on a modified cash basis. Note 4 to the financial statements contains the definitions of the various budget classifications.

Changes from the original to the final budget

109. The UNICEF budgets for the various programmes are approved by its Executive Board, subject to the availability of funding. The original budget comprises the approved amounts for both regular resources and other resources initially allocated for the current year. The final budget represents the contributions received against the Board-approved ceiling and planned for the calendar year.

Figure IV.XI
Budget to actual performance
(Thousands of United States dollars)



Abbreviations: PFP, private fundraising and partnerships.

Actual budget expenditures

110. The total budget utilized in 2021 was $7.22 billion, or 94 per cent of the final budget, the implementation rate consistent with the prior year. Notwithstanding the impacts of the global COVID-19 pandemic on the implementation of UNICEF programmes in 2020, utilization was high, ranging from 92 per cent for the institutional budget to 98 per cent for both regular resources and private fundraising and partnerships. For regular resource-funded actual budgetary expenditure, the high

implementation rate was driven mainly by the 99 per cent implementation of country programme funds, which recorded $794.30 million compared with the final budget of $802.14 million.

111. In 2021, UNICEF offices continued to respond to COVID-19-related activities. However, some challenges were felt as the supply chain was significantly affected by global logistical challenges experienced in air and sea freight. This created longer lead times than usual. Nevertheless, high utilization rates were still achieved, with 93 per cent for other resources – regular, and 95 per cent for other resources – emergency.

112. Regular resources also include the Emergency Programme Fund, which provides a mechanism for the Executive Director to activate the UNICEF response to emergencies in advance of receiving contributions from funding partners, up to a maximum of $75 million at any given time. The amount utilized in 2021 was $27.33 million.

113. The variance in the institutional budget of $55.39 million was driven mainly by multi-year investment projects that are ongoing through the end of 2021, given that they are aligned with the strategic plan period.

Forward-looking statements disclosure

114. The financial discussion and analysis include forward-looking statements and information about the organization's outlook, direction, operations and future financial results that are subject to risks, uncertainties and assumptions.

Outlook for 2022 and beyond

115. The UNICEF strategic plan for 2022–2025 comes at a time when the human rights of all children are under threat as a result of the COVID-19 pandemic, which emerged when most of the Sustainable Development Goals were already off track, fuelling a global crisis that threatens progress for children and hitting hardest wherever systems are most fragile or in crisis, communities poorest and discrimination and exclusion most compounded. The focus of the plan is on achieving results. This means that we will not measure our success merely by what we do. We will measure our success by the actual change that our partners and we deliver for children.

116. The plan is geared towards seizing development opportunities amid crisis and uncertainty, to reimagine responses and galvanize the meaningful change that is needed. It is informed by lessons from the experiences of UNICEF and partners, especially during the response to the pandemic, and reflects the voices of more than 200,000 children and young people across the world who were consulted during its development. It charts a course towards inclusive recovery from the pandemic, the attainment of the Sustainable Development Goals and the realization of a society in which all children are included, without discrimination, and have opportunities and agency in accordance with their rights.

117. To help to build the case for partnering on the plan, the Private Fundraising and Partnerships Division has developed an investment case entitled "Achieving the greatest impact for children: UNICEF's Strategic Plan, 2022–2025". The investment case outlines the opportunity, the challenges and the sustainable response of UNICEF and showcases the organization in action around the world.

118. In the midst of the pandemic, the global recession and the climate crisis, UNICEF is shifting its focus beyond what it can do alone to using its mandate to mobilize other actors to maximize collective impact, rally support around development opportunities and advance human security globally. UNICEF will lead

the momentum for equitable access to COVID-19 vaccines, drive equity-based agendas around the world and leverage financing to accelerate the achievement of the Sustainable Development Goals, including from countries' national resources and those of the United Nations development system, international financial institutions and the private sector.

119. To complement the five goal areas of its strategic plan for 2022–2025, UNICEF also has five cross-cutting programmes. They are integrated into all of its work across the goal areas and include climate change, disability, gender equality, peacebuilding and resilience. Unlike the goal areas, which encompass the needs of every child, the cross-cutting programmes focus on specific vulnerabilities faced by children in certain contexts. They are vital to the organization's approach to leaving no child behind. They seek to understand and address the root causes of inequity for children, in particular those who suffer the worst deprivations in society, and they are vital to achieving the long-term vision of realizing the rights of every child, including adolescents, especially the most excluded.

120. Humanitarian action is integrated throughout the strategic plan as critical not only to saving lives and promoting dignity during crises, but also to building resilient systems, accelerating progress towards the Sustainable Development Goals and realizing children's rights. New cross-cutting programming on resilience, peacebuilding and climate action orient UNICEF work in all contexts towards addressing fragility and the root causes of conflict, crisis and displacement while building capacities to prevent, prepare for and respond to crises. Increased rigour and a more systematic approach to programming in this area will be key to UNICEF work on ensuring that no children are left behind, regardless of their environment.

121. UNICEF will continue to achieve efficiencies by addressing operational aspects of United Nations reform as critical facilitators for embedding child's rights issues in national development agendas. The organization will continue to support the enhanced resident coordinator system and coordination structures at the headquarters, regional and country levels and to implement the management accountability framework.

122. The UNICEF strategy to deliver on its ACT-Accelerator commitments complements its ongoing work to mitigate the impacts of the pandemic, deliver essential health and social services and build more resilient systems. In 2022, UNICEF will focus on two key priorities for low- and middle-income countries. One is the vaccine pillar, aimed at turning vaccines into vaccinations (operational costs for vaccine delivery, vaccine logistics management and cold chain strengthening) by prioritizing high-risk, hard-to-reach groups, including humanitarian populations, and working to reduce inequities in countries. The other is risk communication and community engagement, by which UNICEF will support people-centred, community-led engagement campaigns to increase trust, promote the adoption of COVID-19 tools and address vaccine hesitancy.

123. In the most vulnerable countries with ongoing humanitarian crises, UNICEF will provide procurement, supply and technical assistance to the diagnostics pillar to support the procurement and supply of diagnostic tests in order to meet acute gaps for COVID-19 testing. Where needed, diagnostics will be accompanied by technical assistance to support rapid scale-up (e.g. strengthening supply chains and training health workers). UNICEF will also provide assistance to the therapeutics pillar to provide technical support to build and improve oxygen systems and supplies. Finally, it will assist with personal protective equipment to procure and deliver quality equipment to enable front-line workers to deliver health care safely. UNICEF has personal protective equipment stock pre-positioned and available for delivery to countries in need, subject to funding.

124. To enable an effective and coordinated response, UNICEF will invest in global coordination and technical support to enable effective coordination with ACT-Accelerator partners and across Headquarters, regional offices and country offices. In doing so, it will have greater capacity to provide timely strategic, technical, advocacy, communications and partnership support and to leverage existing investments.

125. UNICEF has launched the ACT-Accelerator Supplies Financing Facility to receive funds dedicated to support low- and middle-income countries in accessing, purchasing and receiving the delivery of key COVID-19 supplies through UNICEF procurement services. The Facility is a dedicated, pooled funding structure that has been specifically designed to address the scale of the supply requirements for the COVID-19 pandemic response and supports the equitable supply and delivery of COVID-19 supplies to low- and middle-income countries. It supports the procurement of immunization-related supplies not covered by the COVAX Facility, such as country cost-sharing and support for self-financing participants' vaccine and delivery costs, syringes, cold chain and personal protective equipment for front-line workers. It also supports the procurement of existing and novel therapeutics and diagnostics and focuses on supply and supply-related expenses (such as freight, in-country logistics and insurance). In addition, UNICEF will use the funds to reserve supply capacity in bulk to assure that countries have equitable access to supplies for their populations, as country plans are implemented and as demand is mobilized and materializes.

Chapter V

Financial statements for the year ended 31 December 2021

United Nations Children's Fund

I. Statement of financial position as at 31 December

(Thousands of United States dollars)

	Note	*2021*	*2020*
Current assets			
Cash and cash equivalents	6	604 378	710 257
Contributions receivable	7	2 857 283	2 970 410
Other receivables	8	113 407	88 241
Advances of cash assistance	9	829 119	790 977
Inventories	10	586 574	757 925
Investments	11	5 881 570	3 648 288
Procurement services-related assets	12	3 190 769	819 505
Other assets	13	171 901	114 950
Total current assets		**14 235 001**	**9 900 553**
Non-current assets			
Contributions receivable	7	1 153 814	716 139
Other receivables	8	1 343	1 689
Investments	11	3 399 568	2 141 957
Property and equipment	14	238 911	254 714
Intangible assets	15	1 431	2 721
Other assets	13	1 617	1 667
Total non-current assets		**4 796 684**	**3 118 887**
Total assets		**19 031 685**	**13 019 440**
Current liabilities			
Accounts payable and accrued liabilities	16	1 013 471	316 447
Contributions received in advance	17	11 079	12 236
Funds held on behalf of third parties	18	4 954 123	1 423 844
Other liabilities	19	494 661	398 690
Employee benefits liabilities	20	191 487	178 825
Provisions	21	34 468	33 335
Total current liabilities		**6 699 289**	**2 363 377**
Non-current liabilities			
Contributions received in advance	17	2 611	2 640
Other liabilities	19	171 022	44 155
Employee benefits liabilities	20	1 830 914	1 709 488
Total non-current liabilities		**2 004 547**	**1 756 283**
Total liabilities		**8 703 836**	**4 119 660**
Accumulated surpluses	22	9 324 074	7 989 655
Reserves	22	1 003 775	910 125
Net assets		**10 327 849**	**8 899 780**

The accompanying notes are an integral part of the financial statements.

United Nations Children's Fund

II. Statement of financial performance for the year ended 31 December

(Thousands of United States dollars)

	Note	*2021*	*2020*
Revenue			
Voluntary contributions	23	8 292 734	7 302 304
Other revenue	24	221 269	153 913
Investment revenue	25	55 583	92 134
Total revenue		**8 569 586**	**7 548 351**
Expenses			
Cash assistance	28	2 495 501	2 264 525
Transfer of programme supplies	28	1 293 167	1 145 741
Employee benefits	29	1 716 192	1 657 747
Depreciation and amortization	14, 15	24 260	25 076
Investment funds for development of private sector fundraising		113 463	96 344
Other expenses	30	1 036 213	792 390
Programme-related expert services	31	454 427	421 904
Finance costs	26	2 708	2 106
Total expenses		**7 135 931**	**6 405 833**
Gains net	27	73 272	73 820
Net surplus		**1 506 927**	**1 216 338**

The accompanying notes are an integral part of the financial statements.

United Nations Children's Fund

III. Statement of changes in net assets for the year ended 31 December

(Thousands of United States dollars)

	Note	*2021*	*2020*
Net assets as at 1 January	22	**8 899 780**	**7 731 947**
Actuarial (losses) recognized directly in net assets	22	(10 967)	(109 533)
Changes in fair value of available-for-sale financial assets	22	(67 891)	61 028
Net surplus for the period	22	1 506 927	1 216 338
Net assets as at 31 December	22	**10 327 849**	**8 899 780**

The accompanying notes are an integral part of the financial statements.

United Nations Children's Fund

IV. Statement of cash flows for the year ended 31 December

(Thousands of United States dollars)

	Note	*2021*	*2020*
Cash flows from operating activities			
Net surplus	22	1 506 927	1 216 338
Adjustments to reconcile surplus to net cash flows			
Depreciation and amortization	14, 15	24 260	25 077
Net gain on sale or disposal of property, equipment	27.A	(1 259)	(864)
Unrealized (loss)/gain on foreign exchange		98 073	(90 233)
Impairment and write-downs	30	153 255	29 441
Write-offs	30	7 544	1 930
Investment revenue presented as investing activities	25	(55 583)	(92 134)
Contributions in kind – net	23.A	(112 359)	(107 162)
Actuarial (loss) on employee benefits liabilities	22	(10 967)	(109 533)
Unrealized (loss)/gain through net assets	22	(67 891)	61 028
Other adjustments		(179 958)	165 365
Changes in assets			
Decrease/(increase) in inventories	10	171 351	(377 536)
(Increase) in contributions receivable	7	(324 548)	(357 295)
(Increase)/decrease in other receivables	8	(24 820)	70 247
(Increase)/decrease in advances from cash assistance	9	(38 142)	59 932
(Increase) in procurement services related assets	12	(2 371 264)	(193 023)
(Increase) in other assets	13	(56 901)	(72 121)
Changes in liabilities			
Increase/(decrease) in accounts payable	16	697 024	(72 511)
(Decrease)/increase in contributions received in advance	17	(1 186)	2 224
Increase in funds held on behalf of third parties	18	3 530 279	269 417
Increase in employee benefits liabilities	20	134 088	257 157
Increase in provisions	21	1 133	7 802
Increase in other liabilities	19	222 838	213 156
Net cash generated operating activities		**3 301 894**	**906 702**
Cash flows from investing activities			
Purchases of investments		(10 620 748)	(9 389 507)
Maturities and sale of investments		7 129 854	8 324 638
Interest revenue	25	51 096	87 822
Dividend revenue	25	4 487	4 312
Purchases of property and equipment	14	(13 789)	(25 198)
Proceeds on sale of property and equipment	14	7 933	4 545
Purchases of intangible assets	15	(56)	(19)
Net cash used in investing activities		**(3 441 223)**	**(993 407)**

	Note	*2021*	*2020*
Cash flows used in financing activities			
Proceeds from forward flow arrangement	19	50 000	–
Payment of finance lease liabilities	19	(6 728)	(6 728)
Net cash generated (used) in financing activities		**43 272**	**(6 728)**
Effect of exchange rate changes on cash and cash equivalents		(9 822)	7 387
Net decrease in cash and cash equivalents		**(105 879)**	**(86 046)**
Cash and cash equivalents			
Beginning of year	6	710 257	796 303
End of year	6	604 378	710 257

The accompanying notes are an integral part of the financial statements.

United Nations Children's Fund

V. Statement of comparison of budget to actual amounts for the year ended 31 December

(Thousands of United States dollars)

	Note	*Original budget*	*Final budget*	*Actual on comparable basis*	*Difference between final and actual*
Regular resources					
Country programmes	5	744 222	802 141	794 301	7 840
Global and regional programmes	5	54 004	81 640	74 033	7 607
Emergency programme fund		**75 000**	**27 328**	**27 328**	**–**
Total regular resources		**873 226**	**911 109**	**895 662**	**15 447**
Other resources – regular					
Country programmes		2 872 612	3 084 191	2 876 743	207 448
Global and regional programmes		205 017	248 835	211 276	37 559
Total other resources – regular		**3 077 629**	**3 333 026**	**3 088 019**	**245 007**
Total country programmes		**3 616 834**	**3 886 332**	**3 671 044**	**215 288**
Total global and regional programmes		**259 021**	**330 475**	**285 309**	**45 166**
Other resources – emergency	**5**	**1 572 000**	**2 560 924**	**2 423 907**	**137 017**
Total programmatic		**5 522 855**	**6 805 059**	**6 407 588**	**397 471**
Institutional budget					
Development effectiveness		187 112	182 304	166 486	15 818
Management		416 028	435 555	407 871	27 684
Special purpose: capital investments		20 753	28 594	16 798	11 796
United Nations development coordination		12 533	10 590	10 496	94
Total institutional budget		**636 426**	**657 043**	**601 651**	**55 392**
Private fundraising and partnerships		**211 358**	**218 381**	**213 025**	**5 356**
Grand total		**6 370 639**	**7 680 483**	**7 222 264**	**458 219**

The accompanying notes are an integral part of the financial statements.

United Nations Children's Fund
Notes to the 2021 financial statements

Note 1
Reporting entity

1. The United Nations Children's Fund (UNICEF) was established by the General Assembly in its resolution 57 (I), which mandated UNICEF to advocate for the protection of children's rights, to help meet their basic needs and to expand their opportunities to reach their full potential. The governing body of UNICEF is the Executive Board, which provides intergovernmental support and oversight to the organization in accordance with the overall policy guidance of the General Assembly and the Economic and Social Council.

2. The financial statements include only the operations of UNICEF. UNICEF has no subsidiaries or interests in associates or jointly controlled entities.

3. UNICEF is headquartered in New York and maintains a presence in 190 countries, territories and areas, including at other headquarters offices in Belgium, Denmark, Hungary, Italy, Japan, the Republic of Korea, and Switzerland, as well as regional offices in Jordan, Kenya, Nepal, Panama, Senegal, Switzerland, and Thailand.

Note 2
Statement of approval of the Executive Director

1. The financial statements were certified by the Comptroller on 31 March 2022 as required by the UNICEF Financial Regulations and Rules and transmitted for issue by the Executive Director on 20 May 2022.

Note 3
Basis of preparation

A. Basis of measurement

1. The financial statements have been prepared on a full-accrual method of accounting under the International Public Sector Accounting Standards (IPSAS). The accounting policies have been applied consistently throughout the reporting period. UNICEF applies the historical cost principle, except for the following material items, in its statement of financial position:

(a) Assets acquired through non-exchange transactions that are initially measured at fair value;

(b) Financial instruments that are measured at fair value through surplus or deficit and available-for-sale financial assets measured at fair value through reserves;

(c) Employee benefits: defined-benefit plan liabilities that are appraised using an actuarial valuation method.

2. These financial statements are expressed in thousands of United States dollars unless otherwise indicated.

B. Foreign currency translation

Functional and presentation currency

3. Items included in the financial statements are measured using the currency of the primary economic environment in which an entity operates ("the functional currency"). The functional and presentation currency of UNICEF is the United States dollar.

Transactions and balances

4. Foreign currency transactions are translated into United States dollars at the prevailing United Nations operational rate of exchange at the time of the transaction. The United Nations rates approximate market rates. Monetary assets and liabilities denominated in foreign currencies are revalued at the exchange rate in effect at the reporting date. Non-monetary items in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising upon revaluation are recognized in the statement of financial performance and included under gains and losses.

C. Use of estimates and critical judgments

5. The preparation of financial statements in accordance with IPSAS requires UNICEF management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Given that uncertainty is inherent in the use of estimates and assumptions, actual results may differ significantly from management estimates.

6. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. Examples of estimates include valuation and impairment of investments; useful lives of tangible and intangible assets; inventory valuation; collectability of receivables; provisions and adjustments of advances of cash assistance; and contingencies. Examples of assumptions include determining when investment impairments are other-than-temporary; and discount and inflation rates applied to employee benefits liabilities.

7. Information on critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements and which could have a significant risk of resulting in a material adjustment is included in the following notes:

(a) Note 20, Employee benefits liabilities: UNICEF participates in a defined-benefit pension plan and other benefit plans. IPSAS requires that management measure the defined-benefit obligations and annual costs under such plans, using assumptions that are long-term in nature and reflect the organization's best judgment and estimates. UNICEF reviews key assumptions on an annual basis with its independent actuaries using relevant experience, in conjunction with market-related data. The key assumptions include the rate of compensation increase, the discount rate and the longevity of plan members. The management assumption with the greatest potential impact on the organization's defined-benefit obligation is the discount rate. The discount rate is determined by reference to the yield of a portfolio of high-quality fixed-income instruments (rated AA or higher), which has the same duration as the plan's defined-benefit obligation;

(b) Note 36, Contingencies: legal proceedings covering a wide range of matters are or may be pending or threatened in various jurisdictions against UNICEF. Provisions are recorded for pending matters when it is determined that an unfavourable outcome is probable, and the amount of loss can be reasonably estimated. Owing to the inherently uncertain nature of the matters, the ultimate outcome or actual cost of settlement may materially vary from estimates.

8. There were no material changes in 2021 to the basis of estimates and judgments applied.

D. Changes in accounting standards

9. The IPSAS Board issued IPSAS 41: Financial instruments, in 2020. UNICEF will adopt the new standard as required, effective 1 January 2023. The new standard is not expected to have a significant impact on UNICEF financial statements.

10. The IPSAS Board approved IPSAS 43: Leases, in December 2021, with an effective date of 1 January 2025. IPSAS 43 supersedes IPSAS 13, Leases, and introduces the right-of-use model for lessees, improves the transparency of lease accounting in the public sector and aligns with International Financial Reporting Standard 16, Leases. UNICEF will perform a full impact assessment of the new standard in 2022.

Note 4
Significant accounting policies

Financial assets

1. UNICEF classifies financial assets into the following categories: financial assets at fair value through surplus or deficit; loans and receivables; and available-for-sale financial assets. The designation depends on the purpose for which the financial assets are acquired and is determined at initial recognition. UNICEF engages external investment managers to manage the after-service health insurance funds set aside in the after-service health insurance reserve, with the objective of earning returns that will contribute to the long-term funding of the after-service health insurance liability (see note 11, Investments). Financial assets in the externally managed portfolio follow the same accounting treatment as the internally managed financial instruments.

2. UNICEF does not classify any financial assets as held-to-maturity.

Major financial asset type	*Classification*
Cash and cash equivalents (with original maturities of 3 months or less)	Loans and receivables
Term deposits (with original maturities greater than 3 months)	Loans and receivables
Contributions receivable	Loans and receivables
Other receivables	Loans and receivables
Procurement services-related assets	Loans and receivables
Promissory notes	Loans and receivables
Certificates of deposit	Available-for-sale
Traded bonds	Available-for-sale
Equities	Available-for-sale
Structured deposits	Fair value through surplus or deficit
Foreign currency options	Held for trading (fair value through surplus or deficit)
Forward exchange and spot contracts	Held for trading (fair value through surplus or deficit)

3. UNICEF initially recognizes loans and receivables on the date that they originated. All other financial assets are recognized initially on the trade date, which is the date when UNICEF becomes a party to the contractual provisions of the instrument. All financial assets are initially measured at fair value.

Financial assets at fair value through surplus or deficit

4. A financial asset is classified at fair value through surplus or deficit if it is designated as such upon initial recognition or is classified as held for trading (including forward exchange contracts in gain). Financial assets at fair value through surplus or deficit are measured at fair value on each reporting date, and changes therein are recognized as surplus or deficit in each period.

5. UNICEF may enter into contracts for structured deposits. A structured deposit is a hybrid financial instrument that has an embedded option along with a fixed-term deposit. The fixed-term deposit is deemed the host. These structured deposits include embedded derivatives. UNICEF designates such hybrid financial instruments at fair value through surplus or deficit in their entirety. As a result, UNICEF does not need to separate these embedded derivatives and account for them separately.

6. Furthermore, UNICEF holds foreign exchange forward contracts (free-standing derivatives) which are valued with reference to the prevailing United Nations operational rate of exchange. UNICEF uses derivatives only to manage foreign exchange risk. UNICEF further expanded its strategy to hedge against currency volatility through investment in foreign exchange options. These derivatives (forward contracts and foreign exchange options) are contracted only with creditworthy counterparties pre-approved by the UNICEF Financial Advisory Committee, which renders advice to the Comptroller on matters of investments of funds not needed for immediate requirements of UNICEF.

7. UNICEF does not apply hedge accounting to its derivative instruments. If they are not closed out, derivatives with a positive fair value are reported as derivative instruments within other current assets while derivatives with a negative fair value are reported as derivative instruments within other current liabilities in the statement of financial position. Gains and losses from changes in the fair value of derivatives are recognized in net gains and losses in the statement of financial performance. All financial assets at fair value through surplus or deficit are classified as current assets (see note 32, Financial instruments).

Loans and receivables

8. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss.

9. Loans and receivables are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. Such loans and receivables are classified as non-current assets.

10. Unused transfers of cash assistance due from implementing partners represent the organization's claims to the unused cash assistance funds remaining with implementing partners after the completion or termination of a project. They are recorded as "other receivables" and are recovered from implementing partners.

11. Prepayments are issued where agreements with UNICEF and the supplier or service provider requires payment up front. Prepayments are recorded as a current asset until goods and/or services associated with the prepayments are delivered, at

which point the expense is recognized and the prepayment is reduced by a corresponding amount.

12. UNICEF provides interest-free advances to staff for up to 12 months for specified purposes, in accordance with the Staff Regulations and Rules of the United Nations. The advances have an initial maturity of less than 12 months, and the carrying amount approximates fair value.

Available-for-sale financial assets

13. Available-for-sale financial assets are non-derivative financial assets composed of traded bonds (both internally and externally managed), certificates of deposit and externally managed equities and investment funds. They are initially recorded at fair value and subsequently are reported at fair value, with any resultant fair value gains or losses recognized directly in net assets except for impairment losses, foreign currency exchange differences and interest calculated using the effective-interest method. When an available-for-sale financial asset is derecognized, the gain or loss accumulated in net assets is reclassified as surplus or deficit.

14. Interest on available-for-sale fixed income investments and dividends on available-for-sale equity investments are recognized in the statement of financial performance during the period earned and when the right to receive the dividend payments is established, respectively.

15. Available-for-sale financial assets are included in non-current investments unless an investment matures or management intends to dispose of it within 12 months of the end of the reporting period (see note 11, Investments).

Impairment of financial assets – assets carried at amortized cost

16. At the end of each reporting period, UNICEF assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. UNICEF considers impairment of financial assets at a specific asset level.

17. A financial asset or a group of financial assets is impaired and impairment loss is incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. No collective impairment is made.

18. The amount of the loss is measured as the difference between the carrying amount of the asset and the estimated recoverable amount. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of financial performance and reflected in an allowance account in the statement of financial position.

19. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (e.g. receipt of funds), the reversal of the previously recognized impairment loss is recognized in the statement of financial performance.

20. UNICEF contributions receivable relate to contractual amounts agreed to be paid by donors such as Governments, intergovernmental organizations (e.g. the European Union) and other United Nations agencies. Therefore, impairments of contributions receivable are rare and are considered on a case-by-case basis.

Impairment of financial assets – assets classified as available-for-sale

21. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from accumulated surplus (deficit) and recognized in the statement of financial performance.

Advances of cash assistance to implementing partners

22. Advances of cash assistance represent transfers of cash assistance where implementing partners have not yet met performance obligations as specified by UNICEF. UNICEF monitors the utilization of cash assistance by implementing partners and liquidates advances and recognizes expenses only when those funds have been used by implementing partners as specified by UNICEF.

23. Reporting by implementing partners of the utilization of cash assistance is due within six months. The failure by an implementing partner to report on the utilization of cash assistance within nine months, or breach of performance obligation, triggers an inquiry by UNICEF. As required, those amounts, as well as any unused funds, are reclassified from advances of cash assistance to other receivables (unused transfers of cash assistance due from implementing partners). The impairment of receivables is disclosed in note 8, Other receivables.

Inventory

24. Inventory held for programme distribution, such as programme supplies, are stated at the lower of cost or current replacement cost. Cost is determined using a weighted average cost formula.

25. The cost of inventory includes costs incurred in acquiring the inventory and other costs incurred in bringing them to their existing location and condition (e.g. freight costs). For inventory acquired through a non-exchange transaction (for example, contributions in kind), the fair value as at the date of acquisition is deemed to be its cost.

26. UNICEF regularly reviews inventory quantities on hand, inventory valuation and the estimated use of its inventory. If the review indicates estimated or actual losses arising from excess or obsolete inventory or a decline in the value of the inventory, the inventory is reduced to a new cost basis, where material, through a write-down in the statement of financial performance. Reductions are determined by assessing replacement costs.

Cryptocurrencies

27. Cryptocurrencies are classified as inventory and valued at the lower of cost and net realizable value using the weighted average cost formula. Management reviews cryptocurrencies on hand, as well as the valuation and estimated use. If the review indicates estimated or actual losses arising from excess balances or obsolescence or a decline in the value of the cryptocurrencies, these are reduced to a new cost basis. Reductions are determined by assessing net realizable value.

Property and equipment

28. Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. This includes costs that are directly attributable to

the acquisition of assets and the initial estimate of dismantling and site restoration costs. Where an asset is received as contribution in kind, the fair value as at the date of acquisition is deemed to be its cost.

29. Individual items of movable property and equipment other than buildings are capitalized when their expected original acquisition price is equal to or greater than the threshold of $5,000. Improvements to buildings are capitalized when the total spent on the improvement or construction is equal to or greater than the threshold of $100,000.

30. Property and equipment include right-to-use arrangements that meet the criteria for recognition. An equivalent liability is established if the arrangement has conditions attached to it. The liability is released to revenue at the same time as the value of the asset is consumed through depreciation or impairment.

31. Subsequent costs are included in an asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to UNICEF and the cost of the item can be measured reliably. Repairs and maintenance, which do not qualify for capitalization, are charged to surplus or deficit in the period during which they are incurred.

32. Land is not depreciated. Depreciation on other items of property and equipment is calculated using the straight-line method over the estimated useful lives. When parts of an item of property and equipment have different useful lives and are significant, they are accounted for as separate items (major components) of property and equipment.

33. Estimated useful lives are as follows:

Property and equipment class	*Useful life*
Permanent buildings	50 years
Temporary and portable buildings	10–25 years
Leasehold building and land improvements	Shorter of the lease term or useful life of the asset
Infrastructure, information technology and communications equipment	10 years
Office information technology and computer equipment	3 years
Transportation equipment	8 years
Furniture and fixtures	10 years
Other equipment	5 years

34. The gain or loss arising from the disposal of an item of property or equipment is the difference between the sale proceeds and the carrying amount of the asset and is recognized in other revenue or expenses within surplus or deficit.

35. UNICEF capitalizes costs to upgrade, expand or improve an existing own or leasehold property, or construct a new physical property that is intended to be used by UNICEF. Construction in progress is stated at cost and not depreciated until the works have been completed, eligible costs have been fully accumulated and the new asset is ready for use.

Assets held for sale

36. UNICEF applies judgment to determine whether an asset is available for immediate sale in its present condition and whether its sale is highly probable and therefore should be classified as held for sale at the balance sheet date. Conditions that support a highly probable sale include the following: (a) an appropriate level of management is committed to a plan to sell the asset or disposal group; (b) an activity to locate a buyer and complete the plan has been initiated; (c) the asset has been actively marketed for sale at a price that is reasonable in relation to its current fair value; and (d) the sale of the asset is expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale.

37. Assets classified as held for sale are valued at the lower of either the carrying amount or the fair value less costs to sell. Impairment losses on initial classification as held for sale and gains or losses on subsequent remeasurements are included in the statement of financial performance. No depreciation is charged on assets held for sale.

Intangible assets

38. Separately acquired intangible assets (e.g. software and rights) and internally developed software are stated at cost, less accumulated amortization and accumulated impairment losses. UNICEF does not have any intangible assets with indefinite lives.

39. Amortization of intangible assets is recognized in surplus or deficit on a straight-line basis over the estimated useful lives of the related assets. Software is amortized over periods ranging from 3 to 10 years. Other rights and licences are amortized over the shorter of the licence or rights period and from a 2- to 6-year range (see note 15, Intangible assets).

Impairment of non-cash generating assets

40. Property and equipment and intangible assets are reviewed for impairment at each reporting date. Certain events or changes in circumstances may indicate that the recoverability of the carrying amount of such assets should be assessed, including any significant decrease in market value. An impairment loss is recognized in other expenses within the statement of financial performance when the carrying amount of an asset exceeds its recoverable service amount. The recoverable service amount of an asset is the higher of the asset's fair value, less costs to sell, and its value in use. In assessing value in use, UNICEF uses a variety of methodologies, depending on the availability of data and the nature of impairment, including a depreciated replacement cost approach, a restoration cost approach and a service units approach.

41. Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the impairment value has decreased or no longer exists. An impairment deficit from previous years is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have existed, net of depreciation or amortization, if no impairment deficit had been recognized (see note 14, Property and equipment).

Financial liabilities

42. Other financial liabilities are initially recognized at fair value, less transaction costs, and subsequently measured at amortized cost using the effective interest method.

Major financial liability type	*Classification*
Accounts payable	Other financial liabilities
Contributions received in advance	Other financial liabilities
Finance leases and other liabilities	Other financial liabilities
Forward flow arrangements	Other financial liabilities
Forward exchange contracts in loss	Held for trading (fair value through surplus or deficit)

43. Accounts payable and accruals arising from the purchase of goods and services are recognized when supplies are delivered, or services consumed. Liabilities are stated at the invoice amounts, less the payment discounts if eligible at the reporting date. Where invoices are not available at the reporting date, the liability is estimated and recorded. Financial liabilities measured at amortized cost, due within 12 months of the date of the statement of financial position, are classified as current liabilities. Otherwise, they are classified as non-current liabilities (see note 16, Accounts payable and accrued liabilities, note 17, Contributions received in advance, note 18, Funds held on behalf of third parties, and note 19, Other liabilities).

44. Forward exchange contracts in a loss position are classified as held for trading. Financial liabilities held for trading are initially recorded at fair value, with any subsequent realized and unrealized gains or losses recognized in the statement of financial performance. Transaction costs are expensed as they are incurred. At year end, the balance of forward exchange contracts in loss is closed out. If they are not closed out, derivatives with a negative fair value are reported as derivative instruments within other current liabilities in the statement of financial position.

45. Forward flow arrangements are recognized at fair value upon initial recognition. The fair value is established by the amount settled at the agreement settlement date. After initial recognition, they are measured at the amortized cost using the effective interest rate method.

Funds held on behalf of third parties

46. Funds held on behalf of third parties represent liabilities in respect of assets held by or for UNICEF under agency agreements.

47. Arrangements in which UNICEF is engaged on behalf of a third party, including procurement, administrative or custodial arrangements, are reviewed to determine whether they comprise agency arrangements. UNICEF is acting as an agent when UNICEF (a) is not primarily responsible for providing any procured goods or services; (b) is not exposed to significant inventory risk; (c) has no significant discretion in establishing prices; and (d) has no significant exposure to a partner's credit risk. A liability is reported for any other assets held by or for UNICEF on behalf of third parties. The liability is reduced once cash is disbursed to a supplier or otherwise, in accordance with the terms of the arrangement.

48. A liability is not reported for goods held on behalf of a third party under supported deliveries arrangements where UNICEF provides logistical services (see note 18, Funds held on behalf of third parties).

Employee benefits

49. UNICEF recognizes the following categories of employee benefits:

(a) Short-term employee benefits;

(b) Post-employment benefits;

(c) Other long-term employee benefits;

(d) Termination benefits.

Short-term employee benefits

50. Short-term employee benefits are those that are due to be settled wholly within 12 months after the end of the period in which the staff member renders the services. These benefits include wages and salaries, compensated absences (e.g. paid sick leave and annual leave) and other benefits, including medical care and housing subsidies. An expense is recognized when a staff member provides services in exchange for employee benefits. A liability is reported for any entitlement that has not been settled as at the reporting date and represents the amount expected to be paid to settle the liability. Owing to the short-term nature of such entitlements, the liability is not discounted for the time value of money.

Post-employment benefits

51. Post-employment benefits are those payable after completion of or separation from employment, excluding termination payments.

Post-employment benefits – defined-contribution plan

52. UNICEF is a participating organization in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined-benefit plan. As specified in article 3 (b) of the Regulations of the Pension Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

53. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. UNICEF, in line with the other participating organizations in the Pension Fund, is not in a position to identify its proportionate share of the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Therefore, UNICEF has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS 39: Employee benefits. The organization's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

Post-employment benefits – defined-benefit plans

54. The defined-benefit plans of UNICEF include after-service health insurance and certain end-of-service entitlements. After-service health insurance is part of the scheme of social security for staff established by the Secretary-General in accordance with staff regulation 6.2. The organization's obligation in respect of defined-benefit

plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods.

55. The plan exposes UNICEF to actuarial risks associated with changes in key actuarial assumptions, including discount rate, medical trend rate, life expectancy and length of service. Those risks also include uncertainty in mortality tables without reliable death registration data. There is also a risk that the liability may not be sufficient to meet the obligations. For this, the funding reserve and external funding mechanisms have been put in place.

56. The obligation is discounted to determine its present value and stated at the end of the reporting period, less the fair value of plan assets, together with adjustments for unrecognized past-service costs. The calculation is performed annually by a qualified independent actuary using the projected-unit credit method. The benefits expense for these plans principally represents the increase in the actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years, net of the expected return on plan assets.

57. The discount rate is the yield at the reporting date on high-quality credit-rated corporate bonds that have maturity dates approximating the terms of the payment obligations.

58. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly to actuarial gains and losses reserve in net assets during the period in which they arise (see note 22, Net assets). All other changes in the liability for such obligations are recognized in surplus or deficit in the period during which they arise.

Other long-term employee benefits

59. Other long-term employee benefits obligations are those that do not fall due wholly within 12 months after the end of the period in which employees provide the related service. These benefits comprise home leave and compensation for death and injury attributable to the performance of duties. These obligations are valued periodically using a qualified actuary.

60. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly to actuarial gains and losses reserve in net assets during the period in which they arise (see note 22, Net assets). All other changes in the liability for these obligations are recognized in surplus or deficit during the period in which they arise.

Termination benefits

61. Termination benefits are recognized as an expense only when UNICEF is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or to provide termination benefits as a result of an offer made in order to reduce redundancy. Termination benefits, if settled wholly within 12 months, are reported at the amount expected to be paid; otherwise, they are reported at present value of the estimated future cash outflows.

Leases

62. UNICEF leases certain property and equipment. Leases of property and equipment where UNICEF substantially assumes all the risks and rewards of ownership are classified as finance leases. Initial recognition of a finance lease results

in an asset and liability being recognized at the lower of the fair value of the leased property and the present value of the minimum lease payments.

63. Subsequent to initial recognition, leased assets are depreciated over the shorter of the lease term and their useful lives in accordance with the accounting policies for property and equipment.

64. Each finance lease payment is allocated between the finance lease liability and finance charges. The interest portion of the finance lease obligations is recognized as an expense under finance costs in the statement of financial performance over the term of the lease in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in other liabilities (see note 19, Other liabilities).

65. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of incentives received from the lessor, if any) are recognized on a straight-line basis under other expenses in the statement of financial performance over the period of the lease (see note 30, Other expenses).

Provisions

66. A provision is recognized if, as a result of a past event, UNICEF has a present legal or constructive obligation that can be estimated reliably and if it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Where the provision is expected to be settled beyond the next 12 months, the increase in the provision due to the passage of time is recognized as interest expense. When an outflow is dependent upon a future event that is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

67. A provision for the return of unused funds to donors is reported for unused balances where the donor agreement requires unused funds to be returned and where it is probable that funds will be returned as opposed to being reprogrammed. A provision for returns of unused funds is reported only if there are funds to be returned after the receivable has been fully written down. The effects of changes resulting from revisions to the timing or the amount of the original estimate of the provision are reflected on a prospective basis. The expense arising from reporting a provision (or reducing any receivable) for unused funds is presented in the statement of financial performance as a reduction of revenue from voluntary contributions.

68. Other provisions include an estimate of a provision for the write-down of contribution receivables. The write-down provision is computed where the donor has not disbursed all the cash to UNICEF, and it is expected that, on the basis of past experience, donors may reduce the initial agreement value in the future (see note 21, Provisions).

Revenue recognition

Voluntary contributions

69. Voluntary contributions are non-exchange transactions, which means that resources (e.g. cash, items of property and equipment, inventory or enforceable rights to such) are received by UNICEF with no or nominal consideration provided directly in return to the donor. The resources are to be applied towards advancing the mission of UNICEF.

70. Voluntary contributions are received from governments, intergovernmental agencies, National Committees for UNICEF, other United Nations organizations, other non-governmental organizations (NGOs) and individuals.

71. Voluntary contributions may be subject to terms in a binding agreement imposed upon the use of the resource (termed earmarked funds or other resources) or may be free of specific terms allowing UNICEF to direct such resources according to its mandate (termed unearmarked funds or regular resources).

72. With regard to contributions, UNICEF recognizes revenue in full, including for unconditional multi-year voluntary contributions at the time the agreement is signed. Subject to the review processes in place to identify voluntary contributions with conditionality, these earmarked contributions that have stipulations and restrictions rather than conditions as prescribed by IPSAS 23 are recognized at the time of signing of the contribution agreement.

73. Contributions received in advance of a specified period consist of cash contributions which were received before the formal conclusion of the contribution agreement and are to be used by UNICEF in future periods specified by donors.

74. Revenue from voluntary contributions is shown net of:

(a) Returns of unused funds to donors, transfer of unused funds to regular resources, transfer of unused funds to other resources and write-downs of receivables that are no longer enforceable by UNICEF following the expiry or termination of contribution agreements;

(b) Provisions for the return of unused funds to donors and provisions for write-down;

(c) Realized and unrealized gains and losses on foreign exchange as UNICEF does not assume the risk of foreign exchange on contribution revenue consistent with its Financial Regulations and Rules (see note 23, Revenue from voluntary contributions).

Pledges

75. Pledges of donations to UNICEF are received at an annual pledging conference. UNICEF does not recognize pledges as assets or revenue until they are enforceable at the earlier of written confirmation of the pledge or receipt of funds. Once enforceable, the asset and related revenue are recognized consistent with the revenue recognition policy for voluntary contributions referred to above. Until that time, the pledges are disclosed as contingent assets in note 36, Contingencies.

Contributions in kind

76. A limited pilot for cryptocurrencies was approved, which allows for a maximum of 2,000 bitcoin and 20,000 ether to be received. The voluntary contributions in cryptocurrencies are treated as contributions in kind and valued at fair value on the date of receipt. The expenses in cryptocurrencies are recognized by nature of expenses as incurred.

77. UNICEF receives contributions of right-to-use office space and other facilities from Member States. These right-to-use contributions are measured at the fair value of the operating lease payments that would have been paid by UNICEF in a commercial lease arrangement. The in-kind revenue is recorded in the statement of financial performance as part of voluntary contributions; the corresponding expense is recorded based on nature as part of rent or other premises-related expenses (see note 30, Other expenses).

78. Contributions in-kind received or receivable of goods, such as programme supplies for distribution to partners, cryptocurrencies received from National Committees or equipment for use by UNICEF, are initially measured at their fair value at the date of receipt. Fair values of non-monetary assets are determined by reference to observable market values or by independent appraisal. UNICEF recognizes goods in kind as assets when the goods are received or, in rare circumstances, at the timing of signing of a binding agreement.

79. UNICEF does not recognize contributions of services in kind as revenue, with the exception of contributions of transportation of supplies. Many of these services cannot be measured reliably, and many are considered specialized professional skills or crafts that would otherwise be purchased by the organization.

Revenue from exchange transactions

80. Exchange transactions are transactions in which UNICEF sells goods or provides services. Revenue comprises the fair value of considerations received or receivable for the sale of goods and services. Revenue is shown net of returns and discounts.

81. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met for each of the types of activities described below:

(a) Revenue from the transfer of pre-positioned supplies at cost to fulfil a procurement services contract with a third party is recorded when goods are delivered to the freight forwarder;

(b) Revenue from commissions and fees for procurement, administrative, custodial and other services rendered to Governments, United Nations organizations and other partners is recognized when the right to receive payment is established;

(c) Investment revenue is recognized on a time-proportion basis, using the effective interest rate method with regard to the respective financial asset;

(d) Licensing income is recognized when it is probable that the economic benefits or service potential associated with the transaction will flow to UNICEF, and the amount of revenue can be measured reliably (see note 23, Revenue from voluntary contributions, and note 24, Other revenue).

Recognition of expenses

82. Expenses are recognized in the statement of financial performance in the period to which they relate.

Transfers of cash assistance and of programme supplies

83. In fulfilling its mandate, UNICEF transfers cash and programme supplies to Governments, NGOs and other third parties ("implementing partners"). In the case of transferred supplies, an expense is recorded when the control of goods is transferred to an implementing partner. Transfers of cash assistance are initially reported as an advance on the statement of financial position where there are performance obligations imposed on the implementing partner and are expensed when UNICEF is satisfied that those performance obligations are met. An accrual against advances is recorded at year-end for expenses incurred by implementing partners reported to but not processed by UNICEF (see note 9, Advances of cash assistance, and note 28, Cash assistance and transfer of programme supplies).

Commitments

84. Commitments are future expenses and liabilities to be incurred on contracts outstanding at the reporting date for which UNICEF has little, if any, discretion to avoid in the ordinary course of operations, including:

(a) Capital commitments: represents the aggregate amount of capital expenditures contracted for but not recognized as paid or provided for at the period-end;

(b) Contracts for the supply of goods or services that UNICEF is expecting to be delivered in the ordinary course of operations;

(c) Cash transfers to implementing partners;

(d) Other non-cancellable commitments.

Contingencies

Contingent assets

85. A contingent asset is a possible asset that is not wholly within the control of the organization. Contingent assets are reviewed to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an asset is no longer contingent and the asset's value can be measured reliably, the asset is recognized during the period in which the change occurs (see note 36, Contingencies).

Contingent liabilities

86. A contingent liability is disclosed unless the possibility that it will be realized is remote. If it becomes probable that a contingent liability will be realized, a provision is recorded during the period in which the change of probability occurs (see note 36, Contingencies).

Segment reporting

87. Operating segments are reported in a manner consistent with internal reporting on strategic decision-making on resource allocation and assessment of financial performance provided to the Executive Director of UNICEF. For UNICEF, the relevant segments are labelled institutional, regular resources – programme; regular resources – non-programme; other resources – regular; other resources – emergency; and trust funds.

88. The operating segments represent fund types and enable the Executive Director to ensure that UNICEF accounts for financial resources in compliance with its Financial Regulations and Rules (see note 40, Segment information).

Joint operation

89. UNICEF is a partner, at 50 per cent, in Giga, a global activity established to connect every school to the Internet and every young person to information, opportunity and choice. Giga is not a separate legal entity but a joint activity co-led by UNICEF and ITU through a memorandum of understanding. It currently has no physical place of operation and is classified as a joint operation since it is not set up through a separate vehicle in line with IPSAS 37, Joint arrangements.

90. UNICEF recognizes in its financial statements its own assets and liabilities resulting from the arrangement in line with the terms of the memorandum of

understanding. It also recognizes revenue from its fundraising activities and expenses generated from Giga activities.

91. UNICEF retains sole and full programmatic, financial and reporting responsibility for all contributions received directly by UNICEF for UNICEF programmatic activities in support of Giga projects.

Budget

92. UNICEF budgets, which are approved by the Executive Board, permit expenditures to be incurred. UNICEF has classified its budgets as: (a) country programme budgets; (b) emergency appeal budgets; (c) global and regional programme budget; (d) Emergency Programme Fund; (e) institutional budget; and (f) private fundraising and partnerships budget.

93. Programme budgets include activities such as programme formulation, implementation, monitoring and evaluation, and programme and technical policy advisory services, which are funded from country/regional/global programmes or other programming arrangements as direct costs. Examples include supplies and equipment, subcontracts, cash assistance, programme and technical advisers, monitoring and evaluation advisers, related direct support staff and operational costs.

94. The private fundraising and partnerships budget consists of the annual level of estimated financial resources required for the best achievement of its objectives. The budget is provided from regular and other resources.

95. The institutional budget is also broken down by cost classification, which comprises the following categories as disclosed in statement V:

(a) Development effectiveness. This comprises the costs of activities of a policy-advisory, technical and implementation nature that are needed for the achievement of the objectives of programmes and projects in the focus areas of the organization. These inputs are essential to the delivery of development results, and are not included in specific programme components or projects in country, regional or global programme documents;

(b) Management. This comprises activities and associated costs whose primary function is the promotion of the identity, direction and well-being of an organization. These include executive direction, representation, external relations and partnerships, corporate communications, legal, oversight, audit, corporate evaluation, information technology, finance, administration, security and human resources;

(c) Special purpose. This covers activities and associated costs of a cross-cutting nature that (i) are mandated by the General Assembly (i.e. not within the direct management control of the organizations); (ii) involve material capital investments; or (iii) do not represent a cost related to the management activities of the organization;

(d) United Nations development coordination. This comprises activities and associated costs supporting the coordination of development activities of the United Nations system.

96. An original budget as defined by IPSAS is "the initial approved budget for the budget period". Multi-year budgets need to be broken into annual allocations in order to identify the original budget for each year.

97. The Executive Board approved the use of the Emergency Programme Fund to pre-finance urgent humanitarian actions when contributions have not yet been made by donors but are expected to be raised through emergency appeals. The Emergency Programme Fund approval from the Executive Board gives UNICEF the authority to allot up to $75 million for emergencies.

98. For UNICEF, within the context of statement V, the original annual budget is the amount originally approved or, if multi-year budget, allocated to the financial year. The other resources – emergency original budget is based on the planned financial estimates of expected resources available for the following year.

99. The final budget is defined as:

(a) The original budget as defined above;

(b) All subsequent changes to the budget approved by the Executive Board or in accordance with a delegated authority from the Board.

100. The other resources – emergency final budget represents the budgets issued on the basis of donor emergency contributions, and any residual budgets that have been carried forward from prior years.

101. While the organization's financial statements are prepared under the IPSAS full-accrual basis, UNICEF budgets are prepared and managed on a modified cash basis. The most significant differences are as follows:

(a) Revenue: the actual budget does not include revenue. The difference pertaining to revenue is shown under "presentation differences" in the reconciliation between budget actuals and net cash flows;

(b) Expenses: budget actuals are recorded on a modified cash basis in contrast with expenses in the financial statements that are prepared under the IPSAS full-accrual basis. The difference is presented under "basis differences" under the category "operating" in the reconciliation between budget actuals and net cash flows;

(c) Assets: advances of cash assistance, inventory and property and equipment appear as actuals in the budget. However, these items appear on the statement of financial position of the financial statements and not under expenses. The difference that arises between actuals and expenses as a result of this is presented under "basis differences" under the category "operating" in the reconciliation between budget actuals and net cash flows;

(d) Funds held on behalf of third parties: the budget does not include funds held on behalf of third parties, and this is presented under "entity differences" in the reconciliation between budget actuals and net cash flows;

(e) Investing and financing activities: purchases, maturities and sales of investments, interest received, purchases of property and equipment and intangibles, proceeds from the sale of property and equipment and payment of finance lease liabilities are not included in the budget. These are presented under "basis differences" under the categories "investing" and "financing" in the reconciliation between budget actuals and net cash flows.

Note 5
Comparison to budget

1. Actual amounts on comparable basis from statement V presented in the table below are reconciled with the amounts presented in the statement of cash flows.

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Exchange rate changes*	*2021*	*2020*
Total actual amount on comparable basis as presented in the budget and actual comparative statement	(7 222 264)	–	–	–	(7 222 264)	(6 458 943)
Basis differences	(1 575 707)	(3 441 223)	43 272	–	(4 973 658)	(1 452 258)
Exchange rate changes on cash and cash equivalents	–	–	–	(9 822)	(9 822)	7 387
Entity differences	3 530 279	–	–	–	3 530 279	269 417
Presentation differences	8 569 586	–	–	–	8 569 586	7 548 351
Net cash flows from the statement of cash flows	**3 301 894**	**(3 441 223)**	**43 272**	**(9 822)**	**(105 879)**	**(86 046)**

Changes from original to final budget

2. Statement V documents the different budgets of UNICEF, comparing the original and final budgets to the actual amounts incurred against them. Both budgets and actuals are calculated on the same modified cash basis (cash and budgetary commitments).

3. Given that UNICEF is voluntarily funded, the budgets approved by the Executive Board for programmes are subject to availability of funding. The original budget comprises the amounts for both regular resources and other resources originally allocated for the current year. The final budget represents the actual contributions received against the Executive Board-approved ceiling and planned for the calendar year.

4. In 2021, the total final budget of $7.68 billion was $1.31 billion higher than the total original budget of $6.37 billion, owing in large part to a $988.92 million increase in other resources – emergency to $2.56 billion, in response to the COVID-19 pandemic and humanitarian response activities financed through the emergency appeals.

5. The Executive Board approved the use of the Emergency Programme Fund with a ceiling of $75.00 million to pre-finance urgent humanitarian actions when contributions have not yet been made by donors but are expected to be raised through emergency appeals. The use of the Fund is subject to availability of funding. The final budget of $27.33 million for the Fund represents resource requirements for humanitarian actions for which contributions had not yet been raised.

6. Challenging operating conditions continued in 2021, but actual expenditure was $7.22 billion, or 94 per cent of the final budget, as the global pandemic subsided, restrictions were lifted and programme implementation improved. The difference between the final budget and the actual was due mainly to variances on the following budget lines: (a) other resources – regular of $245.01 million; (b) other resources – emergency of $137.02 million; and (c) the institutional budget of $55.39 million.

7. Variances related to other resources funds in 2021 were driven mainly by COVID-19-related issues. For example, in the Supply Division, the office had to handle global logistical challenges in both air and sea freight owing to the pandemic, including a lack of access to items that needed to be shipped directly from suppliers, creating longer lead times than normal, and disruptions to the global supply chain that resulted in delays for deliveries of inventory. The absence of teachers and extended school closures also had an impact. In addition, the timing of contributions that are

received late in December contributes to the standard variance (final budget is released for the budget line when contribution agreements are received from the donors). In spite of these challenges, UNICEF continued to focus on ways to deliver and achieved high rates of actual expenditure, as noted in paragraphs 8 and 9 below.

8. Other resources – regular actual expenditure was 93 per cent of the final budget, with a variance of $245.01 million arising from a combination of factors, including delays in the receipt of contributions that in some cases resulted in the justifiable extension of timelines for implementation with the donors and the COVID-19 pandemic-related challenges. Other social, economic and political events added complexity to the implementation of programmes. For example, pandemic restrictions on shipments contributed towards the variance. Travel restrictions also made it very challenging to monitor and support the country in the country supply chain system.

9. Other resources – emergency actual expenditure was 95 per cent of the final budget, with a variance of $137.02 million, due mainly to the global impact of the pandemic. Other challenges were brought about by severe weather that resulted in the temporary suspension of programmatic construction.

10. The variance in the institutional budget of $55.39 million was driven mainly by multi-year investment projects that are ongoing through the end of 2021, given that they are aligned with the strategic plan period.

Note 6
Cash and cash equivalents

(Thousands of United States dollars)

	2021	*2020*
Cash at bank and on hand – convertible	315 224	261 792
Cash at bank and on hand – non-convertible	88 617	43 030
Cash at bank in money market demand accounts	200 537	105 422
Term deposits and other (90 days or less)	–	300 013
Total cash and cash equivalents	**604 378**	**710 257**

1. Convertible cash in the bank and on hand are those currencies that are allowed to be freely exchanged to other currencies without licence or authorization. Non-convertible cash at bank and on hand are those currencies that cannot be freely exchanged into other currencies without permission from the national or central bank of the host country.

2. Included within the UNICEF cash balances is $19.57 million (2020: $15.32 million) of cash managed by the external investment manager for the after-service health insurance investment portfolio.

Note 7
Contributions receivable

(Thousands of United States dollars)

	Governments and intergovernmental agencies	*Inter-organizational arrangements*	*National Committees*	*Other organizations*	*2021*	*2020*
Current receivables						
Unearmarked – regular resources	94 598	90	203 668	2 377	300 733	377 213
Earmarked – other resources	2 161 472	140 264	212 397	42 417	2 556 550	2 593 197
Total current contributions receivable	**2 256 070**	**140 354**	**416 065**	**44 794**	**2 857 283**	**2 970 410**
Non-current receivables						
Unearmarked – regular resources	249 260	–	75	360	249 695	7 703
Earmarked – other resources	791 986	30 774	63 584	17 775	904 119	708 436
Total non-current contributions receivable	**1 041 246**	**30 774**	**63 659**	**18 135**	**1 153 814**	**716 139**
Total contributions receivable	**3 297 316**	**171 128**	**479 724**	**62 929**	**4 011 097**	**3 686 549**

1. Ageing of receivables and the organization's exposure to credit and currency risks related to those receivables is disclosed in note 33, Financial risk management.

Note 8
Other receivables

(Thousands of United States dollars)

	2021	*2020*
Current other receivables		
Receivables from licensing cards and products	1 382	2 612
Value-added and other tax receivables	80 153	56 770
Receivables from staff members	10 753	12 202
Receivables from other United Nations agencies	34 735	27 518
Unused transfers of cash assistance due from implementing partners	14 927	7 429
Other	3 651	54
Impairment	(32 194)	(18 344)
Total current other receivables	**113 407**	**88 241**
Non-current other receivables	**1 343**	**1 689**
Total other receivables	**114 750**	**89 930**

1. The exposure of UNICEF to credit and currency risks related to other receivables is disclosed in note 33, Financial risk management.

Note 9
Advances of cash assistance

(Thousands of United States dollars)

	2021	*2020*
Advances of cash assistance by region		
East Asia and Pacific	54 187	57 476
Europe and Central Asia	48 024	48 969
Eastern and Southern Africa	214 785	217 241
Latin America and Caribbean	54 997	51 706
Middle East and North Africa	139 723	139 117
South Asia	114 162	58 323
Western and Central Africa	204 811	219 397
Transfers to United Nations agencies and other organizations at Headquarters	16 134	11 481
Adjustment	(17 704)	(12 733)
Total advances of cash assistance by region	**829 119**	**790 977**

1. Advances of cash assistance are largely made up of advances to implementing partners.

2. The adjustment included in the above table represents an accrual for where implementing partners have incurred valid expenses as at 31 December 2021 and reports had been received but not processed by UNICEF at the reporting date.

Note 10
Inventories

(Thousands of United States dollars)

	2021	*2020*
Programme supplies held in UNICEF-controlled warehouses	377 827	547 836
Programme supplies in transit	174 024	191 579
Programme construction in progress	33 293	18 187
Cryptocurrencies	1 430	323
Total inventories	**586 574**	**757 925**

1. Cryptocurrencies are stated at the lower of cost or current replacement cost using the weighted average cost formula (note 4, para. 27).

2. The fair value of the cryptocurrencies held in inventory was $3.70 million (2020: $0.65 million) compared with the book value reflected in the table above. The cryptocurrencies held are largely ether, with a minimal quantity of bitcoin. Risks related to the volatility of cryptocurrencies are discussed in note 33, Financial risk management.

Note 11
Investments

(Thousands of United States dollars)

	2021	2020
Current investments		
Term deposits (greater than 90 days)	3 348 834	1 777 862
Certificates of deposit	1 015 118	201 469
Traded bonds	868 058	1 099 093
Equities	417 940	383 190
Forward exchange contracts in gain	231 620	186 674
Total current investments	**5 881 570**	**3 648 288**
Non-current investments		
Traded bonds	3 244 746	2 081 389
Certificates of deposit	124 822	60 568
Term deposits	30 000	–
Total non-current investments	**3 399 568**	**2 141 957**
Total investments	**9 281 138**	**5 790 245**

1. UNICEF invests some of its funds held in reserves for after-service health insurance liabilities with external fund managers. The $784.97 million (2020: $691.23 million) of externally managed funds comprises $244.63 million (2020: $216.44 million) in bonds, $417.94 million (2020: $383.19 million) in equities and $122.40 million (2020: $91.59 million) in forward exchange contracts in gain related to these externally managed funds. The $109.22 million (2020: $95.08 million) of internally managed forward contracts is also presented within the current other liabilities.

2. Investments managed by the external fund managers referred to in paragraph 1 are broken down into current investments of $657.22 million (2020: $580.61 million) and non-current investments of $127.75 million (2020: $110.63 million).

Note 12
Procurement services-related assets

(Thousands of United States dollars)

	2021	2020
Procurement services-related assets	3 190 769	819 505
Total procurement services-related assets	**3 190 769**	**819 505**

1. Procurement services-related assets include funds for procurement services for which UNICEF has sole drawing rights, based on the terms of the agreements. A corresponding liability is included in note 18, Funds held on behalf of third parties, and note 19, Other liabilities, until UNICEF has fulfilled its obligations as agent of the partner.

Note 13
Other assets

(Thousands of United States dollars)

	2021	2020
Current other assets		
Education grant advances to staff members	24 799	21 798
Prepaid expenses and other assets	147 102	93 152
Total current other assets	**171 901**	**114 950**
Non-current other assets		
Other assets	1 617	1 667
Total non-current other assets	**1 617**	**1 667**
Total other assets	**173 518**	**116 617**

1. Prepaid expenses and other assets of $147.10 million (2020: $93.15 million) mainly represent prepayments and advances to vendors for procurement services-related transactions.

Note 14
Property and equipment

(Thousands of United States dollars)

	Land	*Buildings*	*Leasehold improvements*	*Furniture, fixtures and equipment*	*Infrastructure, information technology and communications equipment*	*Office information technology and computer equipment*	*Transportation equipment*	*Total 2020*
Cost								
Balance as at 1 January	81 097	132 692	33 690	24 900	36 600	16 979	109 824	435 782
Additions	–	8 256	4 840	2 081	1 049	820	8 152	25 198
Disposals	–	(1 191)	(1 144)	(1 316)	(2 877)	(1 256)	(4 317)	(12 101)
Balance as at 31 December	**81 097**	**139 757**	**37 386**	**25 665**	**34 772**	**16 543**	**113 659**	**448 879**
Accumulated depreciation and impairment								
Balance as at 1 January	–	38 293	11 050	19 179	26 785	14 481	69 418	179 206
Depreciation	–	4 938	3 638	2 316	1 554	1 848	9 084	23 378
Change in impairment	–	132	181	162	216	9	687	1 387
Disposals	–	(230)	(344)	(1 240)	(2 748)	(1 245)	(3 999)	(9 806)
Balance as at 31 December	**–**	**43 133**	**14 525**	**20 417**	**25 807**	**15 093**	**75 190**	**194 165**
Carrying value as at 31 December	**81 097**	**96 624**	**22 861**	**5 248**	**8 965**	**1 450**	**38 469**	**254 714**

(Thousands of United States dollars)

	Land	*Buildings*	*Leasehold improvements*	*Furniture, fixtures and equipment*	*Infrastructure, information technology and communications equipment*	*Office information technology and computer equipment*	*Transportation equipment*	*Total 2021*
Cost								
Balance as at 1 January	81 097	139 757	37 386	25 665	34 772	16 543	113 659	448 879
Additions	–	2 772	2 803	1 516	452	407	5 839	13 789
Disposals	–	(780)	(118)	(4 736)	(14 821)	(6 566)	(5 856)	(32 877)
Balance as at 31 December	**81 097**	**141 749**	**40 071**	**22 445**	**20 403**	**10 384**	**113 642**	**429 791**
Accumulated depreciation and impairment								
Balance as at 1 January	–	43 133	14 525	20 417	25 807	15 093	75 190	194 165
Depreciation	–	5 668	4 173	1 847	1 136	695	9 394	22 913
Change in impairment	–	(31)	(99)	16	(55)	6	454	291
Disposals	–	(576)	(43)	(3 759)	(10 910)	(5 889)	(5 312)	(26 489)
Balance as at 31 December	–	**48 194**	**18 556**	**18 521**	**15 978**	**9 905**	**79 726**	**190 880**
Carrying value as at 31 December	**81 097**	**93 555**	**21 515**	**3 924**	**4 425**	**479**	**33 916**	**238 911**

1. UNICEF does not currently hold any donated property or items of equipment that are subject to conditions.

2. Included within buildings are \$3.32 million (2020: \$8.79 million) in construction, renovation and security enhancements costs in progress.

3. The carrying value of property and equipment recognized under finance leases is as follows:

(Thousands of United States dollars)

	2021	*2020*
Land	80 000	80 000
Buildings	64 095	65 893
Total	**144 095**	**145 893**

4. UNICEF leases a building, the adjacent plaza and the land underlying both, collectively referred to as the Three United Nations Plaza complex, from the United Nations Development Corporation, a public benefit corporation of the State of New York. The lease agreement, which commenced in 1984 (with amendments thereto in 1994 and 2009) and expires in 2026, is classified as a finance lease. UNICEF will receive title to the Three United Nations Plaza complex upon the expiration of the lease agreement if it fulfils the conditions of continuous and uninterrupted occupancy of the building and maintenance of its worldwide headquarters in New York City until 2026.

5. The Three United Nations Plaza complex is recorded on the statement of financial position at its estimated fair value as at the date of the adoption of IPSAS. The annual lease payments of \$6.73 million (2020: \$6.73 million), exclusive of operating expense escalations, are allocated between the finance charges and the repayment of the finance lease obligation to achieve a constant rate of interest on the remaining balance of the obligation. While the building and plaza are depreciated over their remaining useful lives, the underlying land is not depreciated. Finance charges on the Three United Nations Plaza complex are recorded within finance costs while depreciation expenses on the building and plaza are recorded within depreciation and amortization expenses in the statement of financial performance.

6. UNICEF has approximately 700 operating lease agreements for land, office, warehouse and residential space. The majority of lease agreements are under commercial terms. In 2021, approximately 170 agreements were for space provided to UNICEF by host governments on a free-of-charge basis, for which fair value of annual rent was estimated and recognized as an expense of \$23.30 million (2020: \$21.14 million) as well as in-kind contributions revenue (see note 23, Revenue from voluntary contributions). Rent for all operating leases is reported within rental and leasing expense (see note 30, Other expenses).

Note 15
Intangible assets

(Thousands of United States dollars)

	Purchased computer software	*Internally developed software*	*Licences and copyrights*	*Total 2020*
Cost				
Balance as at 1 January	5 783	12 412	16	18 211
Additions	19	–	–	19
Balance as at 31 December	**5 802**	**12 412**	**16**	**18 230**
Amortization				
Balance as at 1 January	2 984	10 810	16	13 810
Amortization	949	750	–	1 699
Balance as at 31 December	**3 933**	**11 560**	**16**	**15 509**
Carrying value as at 31 December	**1 869**	**852**	**–**	**2 721**

(Thousands of United States dollars)

	Purchased computer software	*Internally developed software*	*Licences and copyrights*	*Total 2021*
Cost				
Balance as at 1 January	5 802	12 412	16	18 230
Additions	56	–	–	56
Adjustments	30	–	–	30
Disposals	(259)	(1 132)	–	(1 391)
Balance as at 31 December	**5 629**	**11 280**	**16**	**16 925**
Amortization				
Balance as at 1 January	3 933	11 560	16	15 509
Amortization	894	454	–	1 348
Adjustments	25	–	–	25
Disposals	(256)	(1 132)	–	(1 388)
Balance as at 31 December	**4 596**	**10 882**	**16**	**15 494**
Carrying value as at 31 December	**1 033**	**398**	**–**	**1 431**

Note 16
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	2021	*2020*
Accounts payable	225 622	192 373
Accrued liabilities	787 849	124 074
Total accounts payable and accrued liabilities	**1 013 471**	**316 447**

1. The exposure of UNICEF to currency and liquidity risk related to trade and other payables is disclosed in note 33, Financial risk management.

Note 17
Contributions received in advance

(Thousands of United States dollars)

	2021	*2020*
Current portion	11 079	12 236
Long-term portion	2 611	2 640
Total contributions received in advance	**13 690**	**14 876**

Note 18
Funds held on behalf of third parties

(Thousands of United States dollars)

	Balance as at 1 January 2021	*Funds received*	*Funds disbursed*	*Movement in accruals*	*Balance as at 31 December 2021*
Procurement services					
Governments	402 553	2 596 501	(1 615 333)	–	1 383 721
Inter-organizational arrangements	114 127	165 886	(170 763)	–	109 250
Non-governmental organizations	662 650	4 999 957	(2 433 738)	–	3 228 869
National Committees	9	5	(9)	–	5
Total procurement Services	**1 179 339**	**7 762 349**	**(4 219 843)**	**–**	**4 721 845**
Other arrangements					
UNICEF hosted funds	208 749	157 449	(149 333)	–	216 865
Others	50 134	207 933	(206 592)	–	51 475
Total other arrangements	**258 883**	**365 382**	**(355 925)**	**–**	**268 340**
Accruals	(14 378)	–	–	(21 684)	(36 062)
Total funds held on behalf of third parties	**1 423 844**	**8 127 731**	**(4 575 768)**	**(21 684)**	**4 954 123**

1. UNICEF undertakes procurement services for Governments, non-governmental organizations (NGOs), United Nations agencies and other international organizations and foundations. Funds are received from or made available by procuring partners in advance to cover UNICEF commitments to suppliers and handling fees.

2. UNICEF hosted trust funds of $216.87 million (2020: $208.75 million), representing the balance held by UNICEF as fund custodian and administrator (see note 37, Related parties).

Note 19

A. Other liabilities

(Thousands of United States dollars)

	2021	*2020*
Current other liabilities		
Unearned income	80 811	47 628
Forward exchange contracts in loss	229 264	187 179
Finance lease liabilities	5 234	4 919
Firm contracts and other liabilities	179 352	158 964
Total current other liabilities	**494 661**	**398 690**
Non-current other liabilities		
Finance lease liabilities	21 109	26 343
Firm contracts and other liabilities	149 913	17 812
Total non-current other liabilities	**171 022**	**44 155**
Total other liabilities	**665 683**	**442 845**

1. Unearned income of $80.81 million (2020: $47.63 million) represents mainly UNICEF handling fees received in advance for managing trust fund activities.

2. Forward exchange contracts in loss at year end of $229.26 million (2020: $187.18 million) include $120.36 million (2020: $92.10 million) of externally managed after-service health insurance investments and $108.90 million (2020: $95.08 million) of internally managed foreign exchange forward contracts.

3. Included in other liabilities are agreements where UNICEF has committed itself to procuring minimum order quantities for vaccines under firm long-term agreements of $135.65 million (2020: $127.74 million), which are due within 12 months and included under current other liabilities. The long-term portion of $99.91 million (2020: $17.81 million) is included as non-current other liabilities.

4. Also included in other long-term liabilities is $50.00 million (2020: nil) in proceeds from a forward flow arrangement, representing a five-year loan agreement entered into by UNICEF with a maturity date of 4 March 2026. The 1.909 per cent effective interest rate is to be paid semi-annually. There are no call provisions, conversion privileges, restrictions or assets pledged as security for the loan.

B. Reconciliation between the total undiscounted future minimum lease payments with present value and future finance charges

(Thousands of United States dollars)

	2021	*2020*
Undiscounted minimum lease payments		
Not later than one year	6 728	6 728
Later than one year and not later than five years	23 550	26 914
Later than five years	–	3 364
Total undiscounted minimum lease payments	**30 278**	**37 006**

	2021	2020
Present value of minimum lease payments		
Not later than one year	5 234	4 919
Later than one year and not later than five years	21 109	23 039
Later than five years	–	3 304
Total present value of minimum lease payments	**26 343**	**31 262**
Future finance charges	**3 935**	**5 744**

Note 20
Employee benefits liabilities

(Thousands of United States dollars)

	2021	2020
Current employee benefits liabilities		
Home leave	11 253	12 207
Annual leave	175 630	161 465
Workers' compensation	898	876
Other end-of-service entitlements	907	1 920
Other employee benefits	2 799	2 357
Total current employee benefits liabilities	**191 487**	**178 825**
Non-current employee benefits liabilities		
Home leave	3 541	3 571
Workers' compensation	18 100	17 210
Other end-of-service entitlements	160 727	147 787
After-service health insurance[a]	1 648 546	1 540 920
Total non-current employee benefits liabilities	**1 830 914**	**1 709 488**
Total employee benefits liabilities	**2 022 401**	**1 888 313**

[a] After-service health insurance in this table includes liability for the after-service health insurance component of the Medical Insurance Plan.

A. Defined-benefit plans

1. UNICEF offers to its employees and former employees an after-service health insurance plan that provides worldwide coverage for the health-related expenses of eligible former staff members and their dependants. Related liability represents the present value of the share of UNICEF medical insurance costs for retirees and post-retirement benefits accrued to date by active staff. It comprises three main arrangements, namely, the United States-based insurance plans, Switzerland-based insurance plans and the Medical Insurance Plan.

2. The Medical Insurance Plan is a health and dental insurance scheme operated by UNICEF for the benefit of its locally recruited active staff members (both in the General Service and the National Professional Officer categories). The after-service health insurance component of the Medical Insurance Plan is for former locally recruited staff members (and their eligible family members) serving or residing at

designated duty stations away from headquarters locations and certain staff in the UNICEF Global Shared Services Centre

3. The after-service health insurance Medical Insurance Plan is presented with the after-service health insurance liability in the first table to this note. For further transparency, the Medical Insurance Plan portion of the liability is presented separately from the after-service health insurance liability in the tables below.

4. Other end-of-service entitlements comprise repatriation expenses, which include grant, travel and shipping costs.

5. The death benefit is a post-employment defined-benefit plan. The obligation to provide this entitlement is generated when eligible employees report for service. The payment is made upon the death of an employee who leaves behind a surviving spouse or a dependent child.

6. Defined-benefit plans are appraised using an actuarial valuation method; additional details on the valuation of the plans are provided below. The movement in the present value of the defined-benefit obligation for each of the defined-benefit plans, as provided in the table below, is included in the year-end employee benefit liability.

Table A.1
Movement in the value of the defined-benefit obligation
(Thousands of United States dollars)

Defined-benefit obligation	*After-service health insurance*	*End-of-service entitlements*	*Medical Insurance Plan*	*Death benefit*	*Workers' compensation*	*2021 total*	*2020 total*
Balance as at 1 January	922 491	143 333	618 429	4 454	18 086	1 706 793	1 496 480
Current service cost	41 039	14 495	35 511	143	597	91 785	80 636
Interest cost on benefit obligation	27 088	3 061	18 213	87	178	48 627	49 444
Actuarial losses/(gains) on benefit obligation	(8 804)	4 300	13 542	922	1 007	10 967	109 533
Benefits paid (net of participant contributions)	(13 495)	(9 709)	(5 468)	(359)	(870)	(29 901)	(29 300)
Balance as at 31 December	**968 319**	**155 480**	**680 227**	**5 247**	**18 998**	**1 828 271**	**1 706 793**

Table A.2
Defined-benefit obligation: active and retired staff
(Thousands of United States dollars)

UNICEF contributions	*After-service health insurance*[a]	*End-of-service and death benefit*	*Death benefit*	*Workers' compensation*	*2021 total*	*2020 total*
Current retirees	620 962	–	–	–	620 962	627 066
Active employees – fully eligible	377 890	67 553	2 774	18 998	467 215	405 055
Active employees – not yet eligible	649 694	87 927	2 473	–	740 094	674 672
Balance as at 31 December	**1 648 546**	**155 480**	**5 247**	**18 998**	**1 828 271**	**1 706 793**

[a] After-service health insurance in this table includes liability for the Medical Insurance Plan.

Table A.3
Contributions from the United Nations Children's Fund for each of the contributory defined-benefit plans
(Thousands of United States dollars)

UNICEF contributions	*After-service health insurance*	*End-of-service and death benefit*	*Medical Insurance Plan*	*Total*
2021 actual contributions	41 981	39 639	27 415	109 035
2020 actual contributions	39 234	37 491	25 845	102 570

Table A.4
Contributions from plan participants for each of the contributory defined-benefit plans
(Thousands of United States dollars)

Participant contributions	*After-service health insurance*	*End-of-service and death benefit*	*Medical Insurance Plan*	*Total*
2021 actual contributions	n/a	n/a	9 783	9 783
2020 actual contributions	n/a	n/a	7 858	7 858

7. The value of the defined-benefit obligation equals the defined-benefit liability that is recognized in the statement of financial position since any assets set aside by UNICEF to fund those benefits do not qualify as plan assets under IPSAS 39: Employee benefits, because such assets are not held in a trust that is legally separate from the reporting entity, which exists solely to pay or fund employee benefits. UNICEF earmarks funds to reserves for each of the defined-benefit plans below (see table A.7 for details).

Table A.5
Defined benefit plan costs as recognized in the statement of financial performance
(Thousands of United States dollars)

	After-service health insurance	*End-of-service*	*Medical Insurance Plan*	*Death benefit*	*Workers' compensation*	*2021*	*2020*
Current service cost	41 039	14 495	35 511	143	597	91 785	80 636
Interest cost on benefit obligation	27 088	3 061	18 213	87	178	48 627	49 444
Total expense included in surplus	**68 127**	**17 556**	**53 724**	**230**	**775**	**140 412**	**130 080**

Table A.6
Actuarial losses/(gains) recognized directly in net assets
(Thousands of United States dollars)

Actuarial losses/(gains) on benefit obligation	*After-service health insurance*	*End-of-service*	*Medical Insurance Plan*	*Death benefit*	*Workers' compensation*	*2021*	*2020*
Due to changes in financial assumptions	(23 685)	(4 897)	(2 254)	(196)	460	(30 572)	108 780
Due to changes in demographic assumptions	5 310	(16)	847	191	–	6 332	341
Due to experience adjustments	9 571	9 213	14 949	927	547	35 207	412
Total current period	**(8 804)**	**4 300**	**13 542**	**922**	**1 007**	**10 967**	**109 533**

8. The net actuarial losses recognized in equity decreased from $109.53 million in 2020 to $10.97 million in 2021. Actuarial gains from changes in financial assumptions reflect mainly the increases in discount rates for all the actuarially valuated employee benefits, which were partially compensated by changes in medical care cost trends for after-service health insurance and the Medical Insurance Plan and by changes in the inflation rate for the end-of-service benefit. Actuarial losses due to changes in experience adjustments resulted mainly from the number of new entrants for after-service health insurance and the Medical Insurance Plan and increases in the eligible headcounts for end-of-service and death benefits.

9. The Task Force on Accounting Standards decided to authorize the development of mortality tables in the same manner as the 2017 United Nations Joint Staff Pension Fund tables but weighted by headcount rather than by annuity size. It was agreed that headcount-weighted tables may be a suitable refinement in estimates for the use of after-service health insurance, since the benefits are more closely aligned with a per capita formula.

10. The probability of retiring was also updated to 100 per cent from 65 years old and above to reflect the United Nations mandatory age of separation at 65 years old. In line with the recommendation of the Task Force, the post-retirement mortality table used in 2021 was the weighted headcount mortality table. This mortality table was already implemented for the entities that requested a full valuation in 2020, but it was not used for the entities that had a roll-forward valuation in 2020.

11. UNICEF funds its liabilities for the defined-benefit plans, including after-service health insurance, it offers to its employees through the use of reserves. Reserves, like other savings plans, are mechanisms for earmarking funds for future expenses of a designated nature. The unfunded amount of the after-service health insurance reserve and reserves for other defined-benefit plans fluctuate on the basis of actuarial gains and losses, as the liability is highly sensitive to the key actuarial assumptions: discount rate, namely, medical trend rate, life expectancy and length of service.

12. The funding deficit for the aggregate of the defined-benefit plans and other liabilities is presented in table A.7 below, and the details of the reserve are included in note 22, Net assets. The table includes liabilities and earmarked funds for actuarially determined defined-benefit plans (e.g. after-service health insurance, end-of-service entitlements, Medical Insurance Plan and death benefits) and for other liabilities.

Table A.7
Funding of liabilities
(Thousands of United States dollars)

	2021	*2020*
Actuarial liabilities recognized in the statement of financial position	1 828 271	1 706 793
Other liabilities and provisions recognized in the statement of financial position	176 582	163 429
Funding	(1 014 651)	(897 630)
Funding deficit	**(990 202)**	**(972 592)**

13. Effective 2016, UNICEF moved some of the after-service health insurance funds it had held to an external fund manager in conjunction with other United Nations agencies (see note 11, Investments).

B. Actuarial valuation

14. The financial health of the defined-benefit plans is measured by actuarial valuations.

15. An actuarial valuation conducted by UNICEF actuaries for 31 December 2021 was used for the closing balances on 31 December 2021. The valuation, performed to determine the results to be used for financial accounting purposes, was prepared on an ongoing plan basis.

16. Another factor affecting the actuarial valuation is the contributions made by plan participants. Those contributions, identified in table A.1 as "(net of participant contributions)", are deducted from the obligation to determine the residual obligation borne by UNICEF. Retirees and active staff members participate in the same health-care plans. Their collective contributions are offset against the total cost of providing health care in accordance with the cost-sharing ratios approved by the General Assembly.

Actuarial assumptions

17. The two key assumptions used by the actuary to determine defined-benefit liabilities are the discount rate and, for after-service health insurance, the health-care cost-trend rate. These assumptions must be based on the same underlying inflation assumption.

18. **Inflation rate**. The inflation rate is an economic indicator that measures the rate of increase of a price index. Under IPSAS 39: Employee benefits assumptions such as the discount rate and the health-care cost trend should be based on the same underlying inflation assumption. An inflation assumption rate of 2.50 per cent (2020: 2.20 per cent) was used for the 31 December 2021 valuation. This inflation assumption rate is used as a proxy for the long-term inflation expectations over the next 20 years, which is consistent with the expected duration of the obligations.

19. **Discount rate**. The discount rate should reflect the time value of money and the estimated timing of future-benefit payments. In accordance with IPSAS 39: Employee benefits, the discount rate used to determine the defined-benefit obligations should be based on market rates for high-quality corporate bonds that match the currency and estimated term of the obligations. The United Nations has used the yield curves issued by Aon Hewitt for the United States (US$), the On the basis of the analysis for 2021, the single weighted discount rate was 2.97 per cent as at 31 December 2021 (2020: 2.89 per cent), and a discount rate, rounding to the nearest 25 basis points, would equal 3.00 per cent (2020: 3.00 per cent).

20. **Rate of compensation increase**. The rate of compensation increase used for defined-benefit obligations represents a long-term assumption and includes components for inflation, productivity increases and merit and promotion adjustments.

21. **Future mortality assumptions**. Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics in the form of mortality tables.

22. **After-service health insurance participation and election assumption**. It is assumed that 95 per cent of future retirees who are expected to meet the eligibility requirements for after-service health insurance benefits will participate in the plan in retirement; and that 75 per cent of future male retirees and 75 per cent of future female retirees will be married at the time of retirement and will elect to cover their spouse under the same medical arrangement that they have elected. The per capita claims cost assumption was calculated on the basis of actual claims and enrolment

experience for calendar years 2016, 2017 and 2018 provided by the various third-party administrators.

23. **COVID-19**: The workers' compensation valuation procedures have not included consideration for direct or indirect impacts relating to the COVID-19 pandemic. At this time, there are many issues arising from COVID-19 that could have an impact on claims incurred by the United Nations on or before 31 December 2021:

(a) Potential for delayed medical treatments that would, in turn, have an impact on the severity of benefit payments;

(b) Potential health complications emanating from the virus that may have an impact on future benefit payments;

(c) Potential future impacts on the discount rate that have not been considered in the Aon Hewitt yield curve; and

(d) Potential impacts on mortality that would not be included in the 2017 United States lives table, or the 2019 World Health Organization country mortality tables.

24. While not exhaustive, these provide some examples of potential impacts of COVID-19 on workers' compensation benefits as at year end 2021. The full impacts of COVID-19 will not be known for years to come and, therefore, the selection of key assumptions in the analysis is unusually difficult in this unprecedented environment. The estimation of benefits and the United Nations obligation are therefore subject to increased uncertainty.

Table B.1
Principal actuarial assumptions

	2021 (percentage)	*2020 (percentage)*
Discount rate		
Rate at 1 January	2.89	3.37
Rate at 31 December	2.97	2.89
Rate of inflation	2.50	2.20
Expected rate of medical cost increase		
Medical inside the United States[a,b]	5.03	5.15
2031 and onwards medical inside the United States[c]	3.95	3.65
United States dental[b]	4.53	4.59
2031 and onwards United States dental[c]	3.95	3.65
United States non-Medicare	5.17	5.31
2031 and onwards United States non-Medicare	3.95	3.65
Non-United States – Switzerland	3.44	3.64
2028 and onwards non-United States – Switzerland	2.25	2.75
Non-United States – Eurozone	3.75	3.73
2021 and onwards non-United States – Eurozone	3.75	3.25
Expected rate of salary increases (declining from age 20 to age 65)[c,d]	**9.07–3.97**	**9.07–3.97**

[a] United States Medicare (United States non-Medicare is slightly higher).
[b] Rates for the following respective year.
[c] For 2021, rate extended to 2031 (2020: rate extended to 2034).
[d] Updated in line with the revised retirement age of 65 years. No impact on 2020 disclosure.

Table B.2
Current rates of death underlying the values of United Nations Children's Fund liabilities

	2021		*2020*	
Rate of death: pre-retirement	*At age 20*	*At age 65*	*At age 20*	*At age 69*
Male	0.00062	0.00495	0.00056	0.00718
Female	0.00034	0.00263	0.00037	0.00522

Rate of death: post-retirement	*At age 20*	*At age 70*	*At age 20*	*At age 70*
Male	0.00062	0.01113	0.00062	0.00913
Female	0.00035	0.00570	0.00035	0.00561

Table B.3
Average rates of retirement for Professional staff with 30 or more years of service

	2021		*2020*	
Rate of retirement	*At age 55*	*At age 62*	*At age 55*	*At age 62*
Male	0.16	0.73	0.16	0.73
Female	0.20	0.78	0.20	0.78

Table B.4
Potential impact of changes in key assumptions used in measuring defined benefit obligations and benefit costs
(Thousands of United States dollars)

	After-service health insurance		*End-of-service*	*Medical Insurance Plan*		*Death benefit*	*Workers' compensation*
Sensitivity of assumptions (impact on)	*Obligation*	*Expense*	*Obligation*	*Obligation*	*Expense*	*Obligation*	*Obligation*
Discount rate							
Impact of: 0.5 per cent increase	(99 415)	–	(6 196)	(76 703)	–	(182)	(1 123)
Impact of: 0.5 per cent decrease	115 913	–	6 660	90 036	–	193	1 452
Health-care cost trend rates							
Impact of: 0.5 per cent increase	111 339	10 858	–	86 943	9 529	–	–
Impact of: 0.5 per cent decrease	(96 698)	(9 188)	–	(74 979)	(8 024)	–	–
Cost of living adjustment							
Impact of: 1 per cent increase	–	–	–	–	–	–	2 876
Impact of: 1 per cent decrease	–	–	–	–	–	–	(2 242)

Sensitivity analysis

25. The table above outlines the potential impact of changes in certain key assumptions used in measuring defined-benefit obligations and benefit costs. The sensitivity analysis contained in the table is hypothetical and should be used with caution. If the assumptions about the discount rate, the health-care cost and the cost of living adjustment trends described above were to change, this would affect the measurement of the obligation and expense, as shown in the table above. The health-care cost trend rate assumption was designed to reflect the current short-term

expectations of the after-service health insurance plan cost increases and economic environment. It has been updated for the 31 December 2021 valuations, with Aon Hewitt long-term assumptions for the different currencies provided by the United Nations.

26. The above sensitivity analyses are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined-benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognized in the statement of financial position.

Plan duration and projected benefit payment

27. The average duration of after-service health insurance (including the Medical Insurance Plan), end-of-service entitlements, death benefit and workers' compensation is respectively 23 years, 9 years, 8 years and 18 years.

Table B.5
Estimated benefit payments net of participant contributions for the next 10 years
(Thousands of United States dollars)

	2022	*2023*	*2024*	*2025*	*2026*	*2027 to 2031*	*10-year total*
After-service health insurance[a]	19 731	22 309	24 799	27 311	29 985	194 250	318 385
End-of-service entitlements	14 184	11 953	10 523	10 022	9 882	45 505	102 069
Death benefit	469	437	417	404	392	1 765	3 884
Workers' compensation	894	898	901	901	901	4 424	8 919
Totals	**35 278**	**35 597**	**36 640**	**38 638**	**41 160**	**245 944**	**433 257**

[a] After-service health insurance in this table includes liability for the Medical Insurance Plan.

C. Multi-employer pension plans

28. UNICEF recognizes the following categories of employee benefits:

(a) Short-term employee benefits due to be settled within 12 months after the end of the accounting period in which employees render the related service;

(b) Post-employment benefits;

(c) Other long-term employee benefits;

(d) Termination benefits.

29. UNICEF is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined-benefit plan. As specified in article 3(b) of the Regulations of the Pension Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

30. The Pension Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the

Fund. UNICEF and the Pension Fund, in line with the other participating organizations in the Fund, are not in a position to identify the proportionate share of UNICEF of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Therefore, UNICEF has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39: Employee benefits. The contributions of UNICEF to the Pension Fund during the financial period are recognized as expenses in the statement of financial performance.

31. The Regulations of the Pension Fund state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

32. The financial obligation of UNICEF to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

33. The most recent actuarial valuation for the Pension Fund was completed as at 31 December 2019, and the valuation as at 31 December 2021 is currently being performed. A roll-forward of the participation data as from 31 December 2019 to 31 December 2020 was used by the Pension Fund for its 2020 financial statements.

34. The actuarial valuation as at 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.2 per cent. The funded ratio was 107.1 per cent when the current system of pension adjustments was taken into account.

35. After assessing the actuarial sufficiency of the Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2019, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of reporting, the General Assembly has not invoked the provision of article 26.

36. Total contributions paid to the Pension Fund during the preceding three years (2018, 2019 and 2020) amounted to $7.99 billion, of which 10.94 per cent was contributed by UNICEF.

37. During 2021, contributions paid to the Pension Fund amounted to $333.61 million (2020: $318.05 million). Expected contributions due in 2022 are approximately $361.08 million.

38. Membership in the Pension Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Pension Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the

Pension Board on the basis of an actuarial valuation of the assets and liabilities of the Pension Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

39. The Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board and to the General Assembly on the audit every year. The Pension Fund publishes quarterly reports on its investments, and these can be viewed by visiting www.unjspf.org.

Table C.1
Contributions to the United Nations Joint Staff Pension Fund
(Thousands of United States dollars)

	2021	*2020*
UNICEF contributions	221 211	211 163
Participants' contributions	112 403	106 882
Total contributions	**333 614**	**318 045**

Note 21
Provisions

(Thousands of United States dollars)

	Returns of unused funds	*Write-down*	*Other provisions*	*Total*
Balance as at 1 January 2021	21 369	6 550	5 416	33 335
Utilization or release of provision	(3 139)	(998)	(5 416)	(9 553)
Increase in provision	6 848	3 838	–	10 686
Balance as at 31 December 2021	**25 078**	**9 390**	–	**34 468**

1. A provision is reported for unused funds to be returned to donors, as determined for all projects where the related grants have a return clause, and in which the contribution agreements require the return of unused funds. UNICEF expects to settle the liability within 12 months from the reporting date for those that have financially expired.

2. A "write-down provision" is recorded for specific donors where past experience indicates that the donor contribution has previously been reduced at the grant expiration date.

Note 22
Net assets

(Thousands of United States dollars)

		IPSAS reserves		*Other reserves*							
	Accumulated surpluses	*Actuarial losses*	*Investment revaluation*	*Other reserves*	*After-service health insurance fund*	*Separation fund*	*Medical Insurance Plan fund*	*Capital assets fund*	*Working capital fund*	*Total reserves*	*Total net assets*
Balance as at 1 January 2020	6 854 685	(5 697)	62 925	2 115	578 413	105 785	133 655	66	–	877 262	7 731 947
Surplus	1 189 001	–	–	–	27 337	–	–	–	–	27 337	1 216 338
Actuarial losses	–	(109 533)	–		–	–	–	–	–	(109 533)	(109 533)
Changes in fair value of available-for-sale financial assets	–	–	61 028	–	–	–	–	–	–	61 028	61 028
Utilization of reserve	50 182	–	–	–	(11 227)	(19 593)	(19 310)	(52)	–	(50 182)	–
Transfers to/(from) the fund	(104 213)	–	–	–	39 234	37 491	25 845	1 643	–	104 213	–
Balance as at 31 December 2020	**7 989 655**	**(115 230)**	**123 953**	**2 115**	**633 757**	**123 683**	**140 190**	**1 657**	**–**	**910 125**	**8 899 780**
Surplus	1 446 322	–	–	–	60 605	–	–	–	–	60 605	1 506 927
Actuarial losses	–	(10 967)	–	–	–	–	–	–	–	(10 967)	(10 967)
Changes in fair value of available-for-sale financial assets	–	–	(67 891)	–	–	–	–	–	–	(67 891)	(67 891)
Utilization of reserve	55 650	–	–	–	(12 210)	(24 522)	(15 887)	(118)	(2 913)	(55 650)	–
Transfers to/(from) the fund	(167 553)	–	–	31 518	41 981	39 639	27 415	–	27 000	167 553	–
Balance as at 31 December 2021	**9 324 074**	**(126 197)**	**56 062**	**33 633**	**724 133**	**138 800**	**151 718**	**1 539**	**24 087**	**1 003 775**	**10 327 849**

Net assets consist of "accumulated surpluses" and "reserves". Reserves consist of "IPSAS reserves" and "other reserves". Each of these types of reserves is explained further below.

1. Net assets represent the value of UNICEF assets, less its outstanding liabilities at the reporting date. UNICEF net assets comprise accumulated surpluses and reserves.

2. Accumulated surpluses represent the accumulated surpluses and deficits from UNICEF operations over the years.

3. UNICEF maintains the following IPSAS reserves and other reserves (see paras. 4–10 below). For internal reporting and budgeting purposes, the UNICEF Executive Board has designated portions of accumulated surpluses as funding for specified activities and future expenses, including after-service health insurance, capital assets, the separation fund, procurement services and insurance.

4. *Reserve for investment revaluation*. The reserve comprises revaluations of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of reserve that relates to that financial asset is effectively realized and is recognized in the statement of financial performance. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognized in the statement of financial performance.

5. *Reserve for after-service health insurance*. In 2003, the Executive Board approved the establishment of a reserve for after-service health insurance. The reserve is used to fund the after-service health insurance liability included in employee benefits liabilities and recorded on the statement of financial position.

6. *Reserve for capital assets*. In 1990, the Executive Board approved the establishment of a capital asset reserve of $22 million from regular resources to facilitate the renovation and future purchases of capital assets such as office buildings and staff housing in the field.

7. *Reserve for separation fund*. In 2006, the Executive Board approved the establishment of a separation fund to cover separation and termination liabilities. This fund comprises the net accumulation of total contributions from the funding source of current eligible staff members less payments made to staff members upon termination or retirement.

8. *Other reserves*. These consist of two Board-approved procurement and insurance reserves and funds set aside related to trust fund activities.

9. In 1993, the Executive Board approved the establishment of a reserve for procurement services of $2 million to absorb possible future shortfalls. The reserve was funded by the surplus of handling fees charged for each procurement request against staff and related expenses charged against such fees by the Supply Division. In addition, in 1950, the Executive Board approved the establishment of a reserve for insurance of $0.20 million to absorb losses of UNICEF programme supplies and equipment not covered by commercial insurance. This amount was funded by approved freight allocations.

10. UNICEF management decided from 2021 to set aside funds related to procurement services activities given that they are not available for use in UNICEF general programmatic activities.

11. *Reserve for Medical Insurance Plan*. The Medical Insurance Plan is a health and dental insurance scheme operated by UNICEF for the benefit of its locally recruited active staff members (in both the General Service and National Professional Officer categories) and former locally recruited staff members (and their eligible family members) serving or residing at designated duty stations away from headquarters locations. Staff members and the organization share in the cost of the premiums. This reserve is used for the payment of all approved claims filed under the Medical Insurance Plan and is funded through monthly transfers by UNICEF and contributions by plan participants.

12. *Working Capital Fund*. In 2020 the Executive Board approved the establishment of a Working Capital Fund, the purpose of which is to address funding gaps for UNICEF country programmes of cooperation while fundraising pipeline matures. The funding will allow programmatic activities to commence without the loss of implementation time. It is funded from a portion of treasury earnings and was implemented in 2021.

Note 23
Revenue from voluntary contributions

A. Voluntary contributions

(Thousands of United States dollars)

	2021	*2020*
Voluntary cash contributions		
Governments and intergovernmental agencies	5 384 135	4 860 497
Inter-organizational arrangements	762 632	771 265
National Committees	1 733 644	1 352 352
In-country private sector fundraising	314 345	226 811
Total voluntary cash contributions	**8 194 756**	**7 210 925**
Voluntary in-kind contributions		
Governments and intergovernmental agencies	82 666	79 882
National Committees	22 535	16 291
In-country private sector fundraising	7 158	10 989
Total voluntary in-kind contributions	**112 359**	**107 162**
Total voluntary contributions	**8 307 115**	**7 318 087**
Refunds, and provision for returns to donors of unused contributions and write-downs	(14 381)	(15 783)
Total voluntary contributions (net)	**8 292 734**	**7 302 304**

1. Foreign exchange gains (losses) are included above in voluntary contributions and disclosed separately in the table below.

2. Voluntary contributions comprised $3.28 billion (2020: $2.62 billion) of multi-year contributions where programme implementation is expected over a period of more than two years.

National Committees

3. The voluntary cash contribution revenue of $1.73 billion (2020: $1.35 billion) from National Committees represents the net contributions that the Committees have approved for transfer to UNICEF. Total contributions received by the National Committees during the year, excluding proceeds from licensing cards and products, were $2.10 billion (2020: $1.77 billion). Of that amount, $448.58 million (2020: $445.24 million) was retained by the National Committees to cover the costs of fundraising, advocacy and management and administration activities or as reserves (see note 37, Related parties, below for additional information on the relationship between UNICEF and the National Committees).

In-kind contributions

4. In-kind contributions comprise contributions received as goods and right-to-use assets at a total value of $112.36 million (2020: $107.16 million). Major types of goods received include ready-to-use therapeutic food, polymerase chain reaction test kits, masks, resilience supplies, soap and the transportation of supplies to support the COVID-19 response. In-kind contributions also include right-to-use assets, such as office and warehouse space provided by host Governments free of charge, valued at $23.30 million (2020: $21.14 million), with the corresponding expense included within "rental and leasing" in note 14, Property and equipment, and note 30, Other expenses.

5. In 2020, a pilot was approved for accepting contributions in the cryptocurrencies bitcoin and ether with the intention of funding the programmatic implementation activities of the UNICEF innovation fund team. Included within voluntary in-kind contributions is $1.51 million (2020: $0.58 million) of cryptocurrencies. Related expenses are included in note 28, Cash assistance and transfer of programme supplies.

6. In-kind services are also provided free by other parties to UNICEF offices in fulfilling the organization's mandate. Services in kind received by UNICEF during 2021 mainly include volunteer services.

In-country private sector fundraising

7. Included within in-country private sector fundraising are voluntary cash contributions from individuals.

8. UNICEF is investing in fundraising activities in 23 emerging market countries to expand the base for raising core funding for the organization. Proceeds from the forward flow arrangement were invested in fundraising activities in those emerging markets. Since the inception of the forward flow arrangement, $177.28 million (2020: nil) of cumulative unearmarked contributions was recognized as revenue relating to donations from private individuals from those 23 countries.

B. Classification of voluntary contributions

(Thousands of United States dollars)

	2021	*2020*
Unearmarked voluntary contributions		
Regular resources – programme	1 497 886	1 099 958
Foreign exchange (losses)/gains	(9 384)	7 436
Total regular resources – programme (net)	**1 488 502**	**1 107 394**
Regular resources – non-programme	90 059	73 989
Foreign exchange gains	85	–
Total regular resources – non-programme (net)	**90 144**	**73 989**
Total regular resources (net)	**1 578 646**	**1 181 383**
Earmarked voluntary contributions		
Other resources – regular	3 711 506	3 681 659
Foreign exchange (losses)/gains	(51 251)	81 524
Total other resources – regular (net)	**3 660 255**	**3 763 183**

	2021	*2020*
Other resources – emergency	3 065 893	2 338 509
Foreign exchange (losses)/gains	(12 060)	19 229
Total other resources – emergency (net)	**3 053 833**	**2 357 738**
Total other resources (net)	**6 714 088**	**6 120 921**
Total voluntary contributions (net)	**8 292 734**	**7 302 304**

Note 24
Other revenue

(Thousands of United States dollars)

	2021	*2020*
Procurement services handling fees	88 795	56 913
Warehouse goods transfers revenue	100 936	63 145
Miscellaneous revenue	29 329	29 764
Licensing revenue	2 209	4 091
Total other revenue	**221 269**	**153 913**

1. UNICEF undertakes procurement services for Governments, NGOs, United Nations agencies and other international organizations and foundations. UNICEF recognized revenue of $88.80 million (2020: $56.91 million) related to the provision of these services.

2. The warehouse goods transfers revenue of $100.94 million (2020: $63.15 million) is related to reimbursement of direct sales of goods to third parties.

3. Through the licensing of the UNICEF brand, UNICEF generates additional funds for programmes of cooperation in developing countries. Proceeds from licensing are accrued on the basis of revenue and expenditure reports received at year-end. In 2021, total licensing revenue was $2.21 million (2020: $4.09 million).

Note 25
Investment revenue

(Thousands of United States dollars)

	2021	*2020*
Internally managed investment revenue	46 273	84 322
After-service health insurance investment revenue	9 310	7 812
Total investment revenue	**55 583**	**92 134**

1. UNICEF generated $55.58 million (2020: $92.13 million) of investment revenue from term deposits and money market demand deposits, certificates of deposits, fixed-income securities, equities and bank accounts.

Note 26
Finance costs

(Thousands of United States dollars)

	2021	*2020*
Finance lease obligations	1 810	2 106
Finance cost on forward flow arrangements	898	–
Total finance costs	**2 708**	**2 106**

Note 27
Net gains and losses

A. Net gains

(Thousands of United States dollars)

	2021	*2020*
Net foreign exchange gains	13 329	59 021
Net fair value gains on:		
Investments	58 684	13 935
Net gains on sale of property and equipment	1 259	864
Total net gains	**73 272**	**73 820**

B. Net foreign exchange gains or losses

(Thousands of United States dollars)

	Unrealized	*Realized*	*2021*	*2020*
Gains	1 046	37 875	38 921	80 805
Losses	(20 766)	(4 826)	(25 592)	(21 784)
Total net (losses)/gains	**(19 720)**	**33 049**	**13 329**	**59 021**

1. In addition to the above, a realized foreign exchange gain of $18.42 million (2020: gain of $28.19 million) and unrealized loss of $91.04 million (2020: gain of $80.00 million), related mostly to other resources receivables, are included within voluntary contributions in note 23, Revenue from voluntary contributions, in accordance with UNICEF Financial Regulations and Rules.

Note 28
Cash assistance and transfer of programme supplies

(Thousands of United States dollars)

	2021	*2020*
Cash assistance		
Transfer of cash to implementing partners	2 071 547	1 951 453
Transfer of cash to beneficiaries directly by UNICEF	314 693	222 613
Co-funding activities	80 053	71 972
Jointly financed activities	26 810	14 779
Subtotal	**2 493 103**	**2 260 817**
Movement in accrual	2 398	3 708
Total cash assistance	**2 495 501**	**2 264 525**
Programme supplies		
Transfer of programme supplies	1 293 167	1 145 741
Total transfer of programme supplies	**1 293 167**	**1 145 741**
Total cash assistance and transfer of programme supplies	**3 788 668**	**3 410 266**

1. Movement in accrual represents adjusted expenses at year-end to account for implementing partners that have incurred valid expenses where the reports have been submitted by the reporting date but for which UNICEF has not yet processed the reports.

2. The regional split of expenses relating to cash assistance and transfer of programme supplies is reflected in note 40, Segment information.

Note 29
Employee benefits

(Thousands of United States dollars)

	2021	*2020*
Salaries and wages	1 021 171	972 458
Contribution to the United Nations Joint Staff Pension Fund	221 211	211 163
After-service health insurance expenses	66 842	62 543
Other post-employment employee liabilities	16 961	13 850
Other long-term employee benefits liabilities	32 216	59 065
Other personnel expenses	357 791	338 668
Total employee benefits	**1 716 192**	**1 657 747**

Note 30
Other expenses

A. Non-employee compensation and allowances

(Thousands of United States dollars)

	2021	*2020*
Individual and corporate consultants	107 505	78 488
United Nations volunteers and interns	18 688	14 245
Total non-employee compensation and allowances	**126 193**	**92 733**

B. Occupancy and common services

(Thousands of United States dollars)

	2021	*2020*
Supplies and consumables	67 345	69 967
Rent and utilities	116 336	106 847
United Nations common services	38 741	30 780
Repairs and maintenance	41 696	40 569
Information, communication and technology	64 000	59 331
Professional fees	93 715	84 063
Insurance	6 631	4 203
Total occupancy and common services	**428 464**	**395 760**

C. Warehouse and related overhead costs

(Thousands of United States dollars)

	2021	*2020*
Procurement services cost of goods (note 24)	100 936	63 169
Other warehouse and logistical services	40 617	38 052
Total warehouse and related overhead costs	**141 553**	**101 221**

D. General expenses

(Thousands of United States dollars)

	2021	2020
Impairment and write-downs	153 255	29 441
Write-offs	7 544	1 930
Travel	70 957	55 847
Advertising, promotion and media services	50 436	47 369
Distribution expenses	28 446	28 240
Miscellaneous expenses	29 365	39 849
Total general expenses	**340 003**	**202 676**
Total other expenses	**1 036 213**	**792 390**

1. Included within impairment and write-downs is the write-down of personal protective equipment purchased for the COVID-19 pandemic response to reflect the value of inventory at the lower of cost and replacement cost of $126.43 million (2020: nil). It does not represent a loss to UNICEF and can be reversed when market prices change.

2. The personal protective equipment inventory continues to be used in programmatic implementation and 27 per cent of the related inventory has been shipped from the central warehouses for use in programmes since the year end. The expectation is that all inventories will be used as part of UNICEF programmes. It is deemed necessary to maintain higher stock levels than usual to ensure that, in the event of any future variants of COVID-19, UNICEF is in a position to respond quickly to meet the need for personal protective equipment.

Note 31
Programme-related expert services

(Thousands of United States dollars)

	2021	2020
Programme-related expert services	454 427	421 904
Total programme-related expert services	**454 427**	**421 904**

1. This category of expense comprises expert services for programmatic activities such as performing research studies, surveys, evaluations, assessments, technical support in specific programme areas, and other programmatic services, conducted by third-party providers in implementation of UNICEF programmes.

Note 32
Financial instruments

1. UNICEF has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk. The present note contains information about the organization's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk and its management of capital. Further quantitative disclosures are included throughout the financial statements.

Accounting classifications and fair values

2. The following tables detail the value of financial assets and financial liabilities by class of instrument and by category, as defined in the accounting policies.

A. Financial assets as at 31 December

(Thousands of United States dollars)

Financial assets	*Loans and receivables*	*Fair value through surplus or deficit*		*Total carrying value*	*Total fair value*	
		Available-for-sale	*Held for trading*		*2021*	*2020*
Cash and cash equivalents	604 378	–	–	604 378	604 378	710 257
Term deposits	3 378 834	–	–	3 378 834	3 378 834	1 777 862
Traded bonds	–	4 112 804	–	4 112 804	4 112 804	3 180 482
Equities	–	417 940	–	417 940	417 940	383 190
Certificates of deposit	–	1 139 940	–	1 139 940	1 139 940	262 037
Forward exchange contracts in gain	–	–	231 620	231 620	231 620	186 674
Contributions receivable	4 011 097	–	–	4 011 097	4 011 097	3 686 549
Other receivables	114 750	–	–	114 750	114 750	89 930
Total financial assets	**8 109 059**	**5 670 684**	**231 620**	**14 011 363**	**14 011 363**	**10 276 981**

3. The carrying value of financial assets is considered to be a reasonable approximation of fair value.

B. Financial liabilities as at 31 December

(Thousands of United States dollars)

Financial liabilities	*Other financial liabilities (amortized cost)*	*Other financial liabilities*	*Total carrying value*	*Total fair value*	
				2021	*2020*
Accounts payable and accrued liabilities	1 013 471	–	1 013 471	1 013 471	316 447
Contributions received in advance	13 690	–	13 690	13 690	14 876
Funds held on behalf of third parties	4 954 123	–	4 954 123	4 954 123	1 423 844
Finance lease liabilities	26 343	–	26 343	26 343	31 262
Other liabilities	410 076	229 264	639 340	639 340	411 583
Total financial liabilities	**6 417 703**	**229 264**	**6 646 967**	**6 646 967**	**2 198 012**

4. With the exception of finance leases, the forward flow arrangement with the World Bank and firm long-term agreements (see note 19, Other liabilities), most liabilities are short-term and are expected to be settled within the next 12 months. Any other non-current liabilities are reported at amortized cost in the statement of financial position, and it is assumed that the carrying amounts approximate the fair values of the financial instruments.

Valuation method

5. The fair value hierarchy represents the categorization of market pricing to indicate the relative ease with which the value of investments held by UNICEF can be realized.

6. The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

(a) Level 1. Average quoted prices from two separate sources (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as price) or indirectly (derived from prices);

(c) Level 3. Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

7. The majority of the organization's financial instruments have quoted prices in active markets and are classified as level 1. Derivative instruments that are "over-the-counter" are classified as level 2 because their fair value is observable either directly as a price, or indirectly after being derived from prices. The instruments shown under the level 2 fair value measurement category consist of forward contracts for foreign currency hedges, forward exchange spot contracts, the derivative contracts and fixed income instruments in the externally managed portfolio.

C. Financial instruments by valuation method

(Thousands of United States dollars)

	Level 1	*Level 2*	*Level 3*	*2021*	*2020*
Assets					
Financial instruments at fair value through surplus or deficit	–	231 620	–	231 620	186 674
Available-for-sale financial assets	5 532 764	137 920	–	5 670 684	3 825 709
Liabilities					
Financial instruments at fair value through surplus or deficit	–	(229 264)	–	(229 264)	(187 179)
Forward flow arrangement	–	–	(50 309)	(50 309)	–
Total	**5 532 764**	**140 276**	**(50 309)**	**5 622 731**	**3 825 204**

Note 33
Financial risk management

Exposure to credit risk

1. Credit risk is the risk of financial loss to UNICEF if a donor, customer or other counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from cash and cash equivalents, investments, receivables from contributions and other receivables.

2. UNICEF holds bank accounts in more than 147 countries. This exposes the organization to significant default risk. To mitigate this risk, UNICEF has established a risk-assessment process that is to be completed before bank accounts may be opened at any bank where UNICEF has not had a prior business relationship. In addition, if there are no alternatives to dealing with a specified bank that has a higher risk, UNICEF may impose internal guidelines such as minimizing the balances on its bank accounts.

3. With regard to financial instruments, UNICEF mitigates its exposure to credit risk by imposing certain restrictions, including, but not limited to, a minimum credit

rating of the underlying financial instrument or institution. The Treasury and Investment Management Policy includes conservative minimum credit criteria for all issuers, with maturity and counterparty limits by credit rating. The UNICEF Financial Advisory Committee approves each new counterparty before any investments may be made. In order to minimize counterparty risk, UNICEF enters into transactions with counterparties that are of investment grade as classified by the major rating agencies and pre-approved by the Committee. Credit default swaps ratings are also used to monitor counterparty risk. Non-rated or lower-rated banks may also be included on the counterparty relationship list with exceptional approval by the Committee.

4. UNICEF utilizes the credit ratings for three leading credit rating agencies, Moody's, S&P Global Ratings and Fitch, to categorize and monitor credit risk on its financial instruments. Investments managed by UNICEF were in high-quality financial instruments as shown in the table below.

5. The externally managed investments are governed by the after-service health insurance investment guidelines, which ensure that funds are invested in instruments and counterparties of investment grade.

6. UNICEF exposure to credit risk from receivables from contributions and other receivables is influenced mainly by the type of donor. Receivables from governments, intergovernmental agencies and other United Nations organizations generally have a very low default risk. UNICEF has established an allowance for impairment that represents its estimate of incurred losses in respect of receivables from contributions and other receivables, based on specific identification of receivables that might be impaired.

7. The carrying value of all financial instruments represents the organization's maximum exposure to credit risk.

A. Concentration of credit exposure by credit rating

(Thousands of United States dollars)

Credit rating	*AAA*	*AA*	*A*	*B*	*Below B*	*2021*	*2020*
Cash and cash equivalents							
Cash	–	5 703	290 866	2 397	104 875	403 841	304 822
Term deposits	–	–	200 537	–	–	200 537	405 435
Subtotal	–	**5 703**	**491 403**	**2 397**	**104 875**	**604 378**	**710 257**
Investments							
Term deposits	–	1 876 907	1 501 927	–	–	3 378 834	1 777 862
Traded bonds	2 362 197	379 139	1 261 403	13 356	96 709	4 112 804	3 180 482
Equities	–	–	–	–	417 940	417 940	383 190
Certificates of deposit	–	849 707	290 233	–	–	1 139 940	262 037
Forward exchange contracts	–	–	–	–	231 620	231 620	186 674
Subtotal	**2 362 197**	**3 105 753**	**3 053 563**	**13 356**	**746 269**	**9 281 138**	**5 790 245**
Total	**2 362 197**	**3 111 456**	**3 544 966**	**15 753**	**851 144**	**9 885 516**	**6 500 502**

8. The below B category includes non-rated and instruments below the credit rating of B. This also includes non-rated funds such as cash and cash equivalents held in various operating accounts in country offices. For externally managed investments, non-rated investment includes cash, exchange traded funds and government bonds

whose risk profile and rating are that of the issuing country. Ratings are based on credit ratings by Moody's, as follows:

Moody's credit ratings		*UNICEF credit ratings*
Aaa	Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.	AAA
Aa1; Aa2; Aa3	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.	AA
A+; A1; A2; A3	Obligations rated A are considered upper-medium grade and are subject to low credit risk.	A
Baa1; Baa2; Baa3	Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.	B

B. Ageing of receivables

(Thousands of United States dollars)

	Current and non-current	*Overdue*	*Foreign exchange gains/(losses)*	*2021*	*2020*
Contributions receivable	3 972 410	48 535	(9 848)	4 011 097	3 686 549
Other receivables	117 831	–	(3 081)	114 750	89 930
Total	**4 090 241**	**48 535**	**(12 929)**	**4 125 847**	**3 776 479**

9. UNICEF believes that all receivables are collectible based on historic payment behaviour and analysis of the outstanding balances.

C. Movements in allowance for impairment in respect of loans and receivables during 2021

(Thousands of United States dollars)

	Impairment as at 1 January 2021	*Impairment losses recognized*	*Impairment losses reversed*	*Impairment as at 31 December 2021*
Contributions receivable	10 136	1 430	(4 858)	6 708
Other receivables	18 344	28 707	(14 857)	32 194
Total	**28 480**	**30 137**	**(19 715)**	**38 902**

Exposure to liquidity risk

10. Liquidity risk is the risk that UNICEF will encounter difficulty in meeting its obligations associated with its accounts payables, other liabilities and promised transfers of cash to programmes.

11. Management is certain that UNICEF can meet its obligations as system controls ensure that purchase orders are not raised unless budget is available. Management maintains liquidity by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities and by holding cash and liquid investments, some of which have secondary financial markets.

12. It should be noted that, in addition to the financing activities through finance lease arrangements, UNICEF entered into a forward flow financing arrangement in 2021 with the World Bank, which is due in five years. Fundraising revenue is collected through private sector fundraising for the interest and final loan repayment. These are monitored continuously, and regular reporting is done in a timely manner to ensure compliance. The agreement does not contain a breach of covenant clause and any unpaid amounts will be cancelled in full immediately following the maturity date.

13. Cash for programmatic activities and to meet employee benefit obligations is invested in a range of financial instruments, including money market demand accounts, structured deposits, certificates of deposits, time deposits and fixed-income securities, which seek to ensure the security and liquidity of investments while optimizing yield. In all cases, investments are permitted only in high-credit-quality institutions and issues, with diversification of investment supported by maintaining counterparty credit limits.

D. Contractual maturities of United Nations Children's Fund financial liabilities

(Thousands of United States dollars)

	Due				*Overdue*					
	0–3 months	*3–6 months*	*6–12 months*	*More than 1 year*	*0–3 months*	*3–6 months*	*6–12 months*	*More than 1 year*	*2021 total carrying value*	*2020 total carrying value*
Accounts payable	194 002	–	–	–	30 859	401	269	91	225 622	192 373
Accrued liabilities	–	–	–	–	–	–	–	–	787 849	124 074
Other payables	–	–	–	50 000	–	–	–	–	50 000	–
Total	**194 002**	**–**	**–**	**50 000**	**30 859**	**401**	**269**	**91**	**1 063 471**	**316 447**

The maturities for accrued liabilities are not included because they are not known.

14. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Exposure to market risk

15. Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Market risk comprises three types of risk: foreign exchange risk; interest rate risk; and other price risk. UNICEF is exposed to potential negative impacts on the value of financial instruments resulting from adverse movements in interest and foreign exchange rates. Through its policies and procedures, UNICEF ensures that market risks are identified, measured, managed and regularly reported to management and the Financial Advisory Committee.

16. Treasury activities comprise the following four portfolios: (a) cash and cash equivalents portfolio; (b) short-term investments portfolio; (c) long-term investments portfolio; and (d) emerging markets portfolio.

17. Risk in the emerging markets portfolio is mitigated by way of a limit of $30 million in functional emerging market currencies and by transacting only with partners pre-approved by the Financial Advisory Committee. In addition, UNICEF transacts in emerging markets only investments for currencies where it has large spending needs, thereby reducing foreign exchange risk.

Currency risk

18. Currency risk (or foreign exchange risk) arises with regard to financial instruments that are denominated in a foreign currency. UNICEF is exposed to currency risk on revenues, expenses, assets and liabilities that are denominated in a currency other than the United States dollar. The currencies in which these transactions are primarily denominated are as follows:

(a) Regarding voluntary contributions: the euro, the Norwegian krone, the Swedish krona, the Canadian dollar, the pound sterling, the Australian dollar, the New Zealand dollar, the Swiss franc, the Danish krone and the Japanese yen;

(b) Regarding expenses: all currencies used across all operating UNICEF countries, including the Yemeni rial, Afghan afghani, Lebanese pound, Turkish lira, Indian rupee, the Pakistani rupee, the Nigerian naira and the Ethiopian birr, among many others;

(c) Regarding assets and liabilities: all currencies used across all operating UNICEF countries, including the euro, the pound sterling, the Swiss franc, the Swedish krona, the Norwegian krone and the Japanese yen, among many others.

19. UNICEF has not implemented hedge accounting, although it applies "natural hedges" by holding foreign currencies in order to cover forecasted foreign currency cash outflows in revenue-side currencies, in addition to entering into foreign exchange forward contracts on revenue-side currencies. UNICEF uses derivative financial instruments to hedge some of its risk exposures or minimize deviations from benchmark allocations as set out in the agreement with the Investment Fund Managers. UNICEF has further expanded its strategy to hedge against currency volatility through investment in foreign exchange options.

20. The following table provides an appropriate context with a summary of UNICEF foreign currency positions in financial instruments.

E. Financial instrument currency position in the statement of financial position

(Thousands of United States dollars)

	United States dollar	*Euro*	*Swedish krona*	*Pound sterling*	*Canadian dollar*	*Japanese yen*	*Swiss franc*	*Other*	*2021*	*2020*
Cash and cash equivalents	337 441	145 396	6	3 574	424	2 711	8 245	106 581	604 378	710 257
Term deposits	3 378 834	–	–	–	–	–	–	–	3 378 834	1 777 862
Traded bonds	4 037 745	48 319	–	15 051	9 422	–	–	2 267	4 112 804	3 180 482
Equities	313 676	51 477	5 043	9 671	1 893	13 496	5 966	16 718	417 940	383 190
Certificates of deposit	1 139 940	–	–	–	–	–	–	–	1 139 940	262 037
Contributions receivable	2 329 921	773 008	416 980	151 700	107 212	43 678	29 951	158 647	4 011 097	3 686 549
Other receivables[a]	286 052	492	225	95	115	–	11	59 380	346 370	276 604
Total financial assets	**11 823 609**	**1 018 692**	**422 254**	**180 091**	**119 066**	**59 885**	**44 173**	**343 593**	**14 011 363**	**10 276 981**

	United States dollar	*Euro*	*Swedish krona*	*Pound sterling*	*Canadian dollar*	*Japanese yen*	*Swiss franc*	*Other*	*2021*	*2020*
Accounts payable	(967 557)	(12 637)	–	(523)	–	(37)	(484)	(32 233)	(1 013 471)	(316 447)
Contributions received in advance	(10 271)	(595)	–	(2 824)	–	–	–	–	(13 690)	(14 876)
Funds held on behalf of third parties	(4 953 750)	–	–	(103)	–	(56)	(27)	(187)	(4 954 123)	(1 423 844)
Other liabilities	(392 960)	(266 610)	(1 869)	–	–	–	–	(4 244)	(665 683)	(442 845)
Total financial liabilities	**(6 324 538)**	**(279 842)**	**(1 869)**	**(3 450)**	**–**	**(93)**	**(511)**	**(36 664)**	**(6 646 967)**	**(2 198 012)**
Net exposure	**5 499 071**	**738 850**	**420 385**	**176 641**	**119 066**	**59 792**	**43 662**	**306 929**	**7 364 396**	**8 078 969**

[a] Includes forward exchange contract in gain.

Interest rate risk

21. Interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. As at the reporting date, the organization's financial assets subject to fixed interest rates included all term deposits and investments. There were no financial assets subject to variable interest rates.

F. Fixed rate instruments

(Thousands of United States dollars)

	2021	*2020*
Fixed rate instruments	9 049 518	5 903 583
Other financial instruments	4 961 845	4 373 398
Total financial assets	**14 011 363**	**10 276 981**

Sensitivity analysis: foreign currency

22. The following table shows the sensitivity of net assets and surplus/deficits to the strengthening and weakening of key currencies used by UNICEF. This analysis is based on foreign currency exchange rate variances that UNICEF considered to be reasonably possible as at the reporting date. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted contributions and expenditures.

G. Financial instrument currency position in the statement of financial position

(Thousands of United States dollars)

	Surplus/(deficit)	
As at 31 December 2021	*Strengthening of United States dollar by 10 per cent*	*Weakening of United States dollar by 10 per cent*
Euro	(73 885)	73 885
Swedish krona	(42 039)	42 039
Pound sterling	(17 664)	17 664
Canadian dollar	(11 907)	11 907
Japanese yen	(5 979)	5 979
Swiss franc	(4 366)	4 366
Total	**(155 840)**	**155 840**

23. The information presented above is calculated by reference to carrying amounts of assets and liabilities as at 31 December 2021 only.

Derivatives

24. UNICEF uses forward exchange contracts to manage risks related to foreign currencies. The organization's reasons for holding these derivatives include reducing and efficiently managing the economic impact of foreign currency exposures as effectively as possible.

25. Gains arising from changes in the fair values of forward exchange contracts amounted to $2.86 million (2020 losses: $0.33 million).

26. UNICEF invests in traded bonds and certificates of deposit, which are classified as available-for-sale financial instruments. Bonds and certificates of deposit have a call-option feature agreed to with the issuer at the time of purchase. This call-option feature gives the issuer the right to call on pre-agreed dates throughout the life of the investment. Given that the investments are callable at par value (i.e. their stated or face value), there is no risk of loss to the principal. Bonds held by external investment managers at the end of 2021 that included a call-option feature amounted to $26.33 million (2020: $13.60 million). Bonds managed internally at the end of 2021 amounting to $3.87 billion (2020: $2.96 billion) were classified as available-for-sale. Those that included a call-option feature were $1.27 billion (2020: $1.23 billion). Certificates of deposit managed internally at the end of 2021 that included a call-option feature amounted to $10.06 million (2020: $20.10 million).

Sensitivity analysis: interest rates

27. The following table presents the sensitivity of net assets and surplus/deficit to a change in interest rates in the range of minus 30 basis points and plus 100 basis points, given outstanding positions as at 31 December 2021. Only the fair value of the bond portfolio is subject to fair value changes as a result of changes in interest rates as all bonds are classified as available-for-sale financial instruments. Changes in fair value for available-for-sale financial instruments are recorded directly in net assets.

H. Sensitivity of net assets and surplus/deficit to changes in interest rates

(Thousands of United States dollars)

	Impact		
	Net assets	Surplus/(deficit)	Percentage
Portfolio value	5 252 744	–	–
Plus 100 basis points	5 150 376	(102 368)	1.95
Minus 30 basis points	5 286 600	33 856	0.64

Other price risk

28. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

29. Information on factors affecting the fair value measurement of UNICEF investments can be found at the beginning of this note.

I. Cryptocurrency fund

Management of risks related to the cryptocurrency fund

30. UNICEF established a prototype fund that accepts donations and makes disbursements exclusively denominated in cryptocurrencies, in order to finance early stage, open-source technology benefiting children and young people. Cryptocurrencies and blockchain technology can help organizations such as UNICEF to benefit from additional funding sources and enhance transparency of operations. UNICEF manages the risks that come with the establishment of the cryptocurrency fund, including volatility risks, reputational risks, cybersecurity risks (e.g. hacking, loss of information and malicious activity) and regulatory risks.

Volatility risk

31. The cryptocurrency funds are likely to have volatile assets, whose value can change significantly over short time periods. UNICEF manages the risk by minimizing and containing the impact of volatility. UNICEF has implemented systems and processes to actively shorten the time between the receipt and disbursement of funds. This ensures that the assets are transferred within a limited time period so as not to be affected by price volatility that comes with holding the assets. UNICEF does not hold the fund assets for speculative purposes.

Reputational risk

32. Cryptocurrencies are not yet a common means of performing transactions. In addition, the general public may associate cryptocurrency funds with illegal activities, and certain jurisdictions have made the use of cryptocurrency funds illegal. UNICEF has had long experience of fundraising in the private sector and from individual donors and therefore has robust "know your customer" procedures, which will be applied to the process of accepting cryptocurrency donations from reputable organizations and individuals. UNICEF has actively sought to explain to its stakeholders the cryptocurrency fund to create further understanding of its application and potential to contribute to results for children across the world.

Regulatory risk

33. The introduction of the cryptocurrency fund brings regulatory compliance risk related to full compliance with the UNICEF Financial Regulations and Rules and with the other basis of reporting that has been adopted by the organization. To manage the regulatory risk, UNICEF established the cryptocurrency fund following its Regulations and Rules and sought technical accounting advice on the best basis of reporting the fund. The due diligence work conducted for the establishment of the fund ensured that the regulatory compliance requirements were met, and hence reduced the regulatory risk surrounding the use of the fund. In addition, the basis of receiving and disbursing funds was narrowly defined to ensure that the fund is used for the specific purpose defined, in compliance with the regulatory framework of UNICEF.

Cybersecurity risks

34. UNICEF has to store and manage the cryptocurrencies. Cryptocurrencies cannot be stored and maintained through a regular banking environment, and therefore are subject to security risks related to information that is stored on technology platforms. UNICEF has used its current strong accounting framework that regulates authorized signatories to manage the cryptocurrency wallets. In addition to the multi-signatory framework, UNICEF has established a multi-signature wallet and incorporates physical and access controls to the wallets and related private keys to manage the security risks around the cryptocurrency fund.

Note 34
Capital management

1. UNICEF defines the capital it manages as the aggregate of its net assets, which comprises accumulated surpluses and reserve balances. This definition of capital is used by management and may not be comparable to measures presented by other United Nations organizations. UNICEF does not have any long-term borrowings outside of its finance lease liabilities and the forward flow arrangement with the World Bank to either bridge its cash requirements or leverage its cash position. Various reserves are established by management in order to provide funding of future expenses (see note 22, Net assets).

2. The objectives of UNICEF in managing capital are to:

(a) Safeguard its ability to continue as a going concern;

(b) Fulfil its mission and objectives as established by its strategic plan;

(c) Ensure sufficient liquidity to meet its operating cash requirements;

(d) Preserve capital;

(e) Generate a competitive market rate of return on its investments.

3. It should be noted that risk and liquidity management are emphasized over absolute rate of return for the investment portfolio.

4. A four-year medium-term strategic plan and integrated budget are proposed by the Executive Director and submitted to and approved by the Executive Board. The plan and the budget outline a recommended apportionment and utilization of existing and anticipated resources of UNICEF over the plan period, determining affordability while maintaining fund balance to ensure liquidity. The plan also includes a financial plan. The financial plan provides detailed financial projections of:

(a) Estimated future financial resources for each year of the plan period;

(b) Estimated yearly levels of costs;

(c) Working capital levels required for the liquidity of UNICEF.

Other resources: regular and emergency

5. For other resources: regular and emergency, the objective is to ensure programme implementation while remaining within the available fund balance. Management to that end is carried out on an individual programme budget basis. The cash component of these resources is commingled with other institutional resources and managed as a portfolio (the opening and closing balances for net assets is disclosed in note 22, Net assets).

6. The ability of UNICEF to obtain additional capital is subject to:

(a) Its ability to raise financial resources and generate revenue;

(b) Market conditions;

(c) The provisions of its Financial Regulations and Rules, and investment guidelines.

Restriction

7. UNICEF is subject to an Executive Board-imposed liquidity requirement. The requirement does not constitute an external restriction. The UNICEF Financial Regulations and Rules indicate that, in order to ensure liquidity, the Comptroller should maintain cash balances at the levels approved by the Executive Board. In 1987, the Executive Board established the minimum year-end cash balance of regular resources as 10 per cent of projected regular resources income for the following year (decision 1987/14). There have been no changes in the way UNICEF manages its capital in 2021.

Note 35
Commitments

1. The following tables present the open purchase orders for which UNICEF had not received the related services or goods as at 31 December 2021. In most cases, UNICEF has the right to cancel these open purchase orders prior to the date of delivery.

(Thousands of United States dollars)

	2021	*2020*
Commitments for purchase of property and equipment		
Buildings	272	151
Transportation equipment	5 962	3 490
Furniture, fixtures and equipment	794	651
Communications and information technology equipment	645	624
Other capital commitments		
Intangible assets	–	30
Total capital commitments	**7 673**	**4 946**

	2021	2020
Operating commitments		
Contracts for purchase of supplies and other goods	776 985	431 566
Contracts for purchase of services	920 652	767 777
Commitments to transfer cash to implementing partners	119 497	124 937
Commitments to transfer supplies to implementing partners	1 380 400	546 397
Total operating commitments	**3 197 534**	**1 870 677**
Total commitments	**3 205 207**	**1 875 623**

2. UNICEF operating lease agreements include cancellation clauses with 30-day notice periods. As a result, there is no disclosure of operating lease commitments in the table above.

Long-term agreements

3. UNICEF also has various long-term agreements with suppliers. The table below identifies the total remaining contract value on long-term agreements that remained open as at 31 December 2021.

(Thousands of United States dollars)

	2021	2020
Long-term agreements for goods	4 543 120	3 726 626
Long-term agreements for services	404 492	413 988
Total long-term agreements	**4 947 612**	**4 140 614**

Note 36
Contingencies

Contingent assets

1. In certain cases, prior to concluding contribution agreements, UNICEF receives pledges for future contributions. Owing to the COVID-19 pandemic and to logistical challenges, the pledging conference was not held in 2020 or 2021.

2. During the year, UNICEF concluded contribution agreements where the total contribution value did not meet the definition of an asset. Those amounts are disclosed in the notes as contingencies until the asset recognition criteria are met, or cash is received from the donor. The total amount of these contingent assets was $758.18 million as at 31 December 2021 (2020: $520.92 million).

Contingent liabilities

3. UNICEF has an irrevocable standby letter of credit of $3 million that is held as a security deposit by the landlord for the leased premises in New York. The letter of credit is not collateralized with any UNICEF investments. UNICEF does not expect this letter of credit to be used by the third party.

4. UNICEF is subject to a variety of claims and suits that arise from time to time in the ordinary course of its operations. These claims are segregated in the following two main categories: third-party claims and human resources claims.

5. UNICEF received a claim for damage to rented premises in 2020. UNICEF retained outside counsel to represent it in the arbitral proceedings. No provision has been recognized in these financial statements because it is not possible at the present time to assess the likelihood of success of that claim.

Note 37
Related parties

National Committees

1. National Committees, which constitute a unique category of UNICEF partners, were established for the purposes of advancing children's rights and well-being globally through resource mobilization, advocacy and other activities. Working as partners of UNICEF in their respective countries, National Committees are independent, NGOs registered under the laws of their respective countries as charities, trusts, foundations or associations. National Committees are required by their statutes to have governing boards that have control over the resources that they raise. The relationship between the National Committees and UNICEF, as well as their use of its name and logo, are regulated by the recognition and cooperation agreements signed between UNICEF and each National Committee. National Committees are currently established in 33 countries.

2. As stipulated in the cooperation agreements, National Committees provide UNICEF with annual certified revenue and expenditure reports. These reports indicate the total contributions received by the National Committee, the amount withheld to cover the costs of National Committee activities, or as reserves, and the net due to UNICEF.

A. Voluntary contribution revenue and receivables from National Committees

(Thousands of United States dollars)

	2021		*2020*	
	Revenue	*Receivables*	*Revenue*	*Receivables*
Voluntary cash contributions	1 733 644	469 135	1 352 352	426 512
Voluntary in-kind contributions	22 535	10 589	16 291	4 024
Total	**1 756 179**	**479 724**	**1 368 643**	**430 536**

3. Of the total voluntary cash contributions recorded as revenue in 2021, $715.18 million was from regular resources, $469.73 million was from other resources – emergency, and $548.73 million was from other resources – regular. The voluntary in-kind contributions of $22.54 million (2020: $16.29 million) are composed of $17.58 million (2020: $13.69 million) of other resources – emergency and $4.96 million (2020: $2.60 million) of other resources – regular.

4. According to the revenue and expenditure reports submitted by the National Committees, total contributions received by the National Committees in 2021, excluding proceeds from licensing activities, were $2.10 billion, (2020: $1.77 billion). Of that amount, $448.58 million, (2020: $445.24 million) was retained by the National Committees to cover the costs of their fundraising, advocacy and management and administration activities, or as reserves. As a result, a total amount of $1.65 billion (2020: $1.33 billion) in net cash contributions was either transferred or due to be transferred to UNICEF from the National Committees.

5. In addition to the revenue and expenditure reports, National Committees prepare annual financial statements that are audited by independent certified auditors and are publicly available on the websites of the National Committees. These financial statements provide additional detail on the financial performance and financial position of the National Committees.

6. In accordance with the terms of the respective cooperation agreement with UNICEF, National Committees may establish reserves in order to comply with national laws and statutes as well as for other purposes. In the event of the liquidation of a National Committee, net assets, including reserves, would be transferred to UNICEF, subject to the provisions of the cooperation agreement, if legally permitted, or otherwise in accordance with national law and the statute of the Committee. The National Committees reported to UNICEF through their revenue and expenditure reports that the retained reserves as at 31 December 2021, based on their local accounting standards, stood at $252.50 million (2020: $252.00 million).

B. Supported deliveries

7. During the reporting period, UNICEF handled supported deliveries on behalf of third parties of $0.09 million (2020: $141.26 million). The deliveries were not reflected in the financial accounts of UNICEF, although they were handled through the administrative structures of the organization.

C. Key management personnel

8. The leadership structure of UNICEF is stratified into two main tiers:

(a) Executive: collectively, this tier of leadership consists of the first two levels within the hierarchy, an Under-Secretary-General (Executive Director) and four Assistant Secretaries-General (Deputy Executive Directors);

(b) Management: collectively, this tier of leadership consists of the third level within the hierarchy, the "head of office" of the global headquarters divisions and the regional offices;

(c) Close family members of key management personnel are presumed to be their spouses, domestic partners, children, grandchildren, brothers, sisters, parents, grandparents, or in-laws and relatives living in a common household as key management personnel, unless personal circumstances (e.g. estrangement) prevent the key management personnel from having influence over the close family member.

Remuneration paid to key management personnel

(Thousands of United States dollars)

	Number of individuals	*Salary and post adjustment*	*Other entitlements*	*2021*	*2020*[a]
Key management personnel	32	6 783	3 304	10 087	10 147
Close family members	3	362	95	457	398
Total	**35**	**7 145**	**3 399**	**10 544**	**10 545**

[a] Actuarially valuated employee benefits are now presented separately below (see para. 10).

9. The remuneration paid to key management personnel includes salary, post adjustment and other entitlements, such as assignment grants, the employer contribution to health insurance and the pension fund, dependency allowances,

education grants, hardship, mobility and non-removal allowances, real estate agency reimbursements and representation allowances.

10. Key management personnel are also eligible for post-employment employee benefits such as after-service health insurance, end-of-service benefits and payment of unused annual leave. Actuarially valuated long-term and post-employment benefits obligations related to after-service health insurance, the repatriation grant and the death benefit, specific to key management personnel, comprised $10.00 million (2020: $11.14 million).

11. Contributions by UNICEF for key management personnel to the United Nations Joint Staff Pension Fund, a defined contribution plan, were $1.37 million (2020: $1.22 million).

12. Loans are referred to as "salary advances" at UNICEF. Salary advances are available to all UNICEF staff, including key management personnel, for specific purposes. Salary advances were $0.02 million (2020: nil).

13. There were no loans or advances granted to key management personnel that were not available to other categories of staff in accordance with the Staff Regulations and Rules of the United Nations.

D. United Nations programmes, funds and specialized agencies

14. UNICEF and other United Nations organizations work for and towards the enhancement of the efforts of the United Nations to achieve a better world for all. UNICEF is engaged extensively in the inter-agency financial and operating mechanisms of the United Nations, such as joint funding arrangements (multi-donor trust funds and joint programmes) and common services arrangements. Within joint funding mechanisms, United Nations organizations work together on activities to achieve a set of objectives. Each participating organization assumes its share of responsibilities related to planning, implementing, monitoring and evaluating activities.

E. Other related parties

Global Partnership for Education

15. The Global Partnership for Education, previously the Education for All – Fast Track Initiative, is a global programme partnership involving bilateral donors, regional and international agencies, including UNICEF, development banks and civil society organizations on the one hand, and low- and lower middle-income countries on the other. Its overall aim is to strengthen international efforts to ensure inclusive, equitable quality education for all by 2030. UNICEF plays a significant role within the Global Partnership for Education at both the global and country levels and is currently the coordinating agency for the local education group in 76 countries/regions, and the grant agent in 16 countries. UNICEF serves on the Board of the Global Partnership for Education and has influenced the Partnership to support inclusion of countries in fragile contexts. Funds provided by the Global Partnership for Education, which are recorded in voluntary contributions in support of global and country-specific programmes, amount to $152.41 million (2020: $431.47 million).

Global Fund to Fight AIDS, Tuberculosis and Malaria

16. The Global Fund to Fight AIDS, Tuberculosis and Malaria was established in 2002 as a public-private partnership with the goal to raise, manage and disburse additional resources to prevent and treat HIV and AIDS, tuberculosis and malaria. In addition to the Global Fund's disease-specific funding, the Global Fund also provides resources for health systems strengthening. Since the Global Fund's inception in

2002, UNICEF has been an active partner at the global and country level. The funds provided by the Global Fund, which are recorded in voluntary contributions in support of global and country-specific programmes, amount to $84.43 million (2020: $87.84 million).

Gavi, the Vaccine Alliance

17. Gavi, the Vaccine Alliance, was launched in 2000 as a public-private global health partnership committed to increasing access to immunization in low-income countries. UNICEF holds 1 permanent seat, of 28, on its Board of Directors, and can also appoint 1 alternate Board member. UNICEF plays an important role in the provision of vaccines and immunization supplies for countries through the UNICEF Supply Division and provides technical assistance to governments in the preparation of applications to the Alliance and the implementation of Alliance-supported programmes. A handling fee for the management of these procurement services is included within note 24, Other revenue.

18. As also disclosed in note 12, Procurement services-related assets, UNICEF holds funds of $3.19 billion (2020: $819.51 million), which represent amounts deposited into an irrevocable escrow account for which UNICEF has security of interest and sole drawing rights based on the terms of the agreements. A corresponding liability is recorded in note 18, Funds held on behalf of third parties, and in note 19, Other liabilities, until UNICEF has fulfilled its obligations as agent of the partner.

19. UNICEF receives donations from Gavi, the Vaccine Alliance, for its own programmatic activities, which are recorded in voluntary contributions in support of global and country-specific programmes, and amount to $313.53 million (2020: $93.68 million).

Education Cannot Wait

20. Education Cannot Wait was established during the World Humanitarian Summit in 2016 by international humanitarian and development aid actors, along with public and private donors, to help reposition education as a priority on the humanitarian agenda, usher in a more collaborative approach among actors on the ground and foster additional funding to ensure that every crisis-affected child and young person is in school and learning. UNICEF holds 1 seat, of 30, on the Education Cannot Wait high-level steering group. Funds provided by Education Cannot Wait, which are recorded in voluntary contributions in support of global and country specific programmes, amount to $34.28 million (2020: $37.43 million).

Global Partnership to End Violence against Children

21. The Global Partnership to End Violence against Children was established in 2016 to provide financial support to programmes to achieve a world in which every child grows up free from violence. UNICEF holds 1 seat, of 23, on the Board of Directors of the Global Partnership. Funds provided by the Global Partnership, which are recorded in voluntary contribution in support of global and country-specific programmes, amount to $2.65 million (2020: $3.07 million).

Sanitation and Water for All

22. Sanitation and Water for All is a multi-stakeholder partnership of Governments and their partners, whose mission is to eliminate inequalities in realizing the human rights to water and sanitation. The partnership focuses on the hardest-to-reach and most vulnerable individuals, communities, countries and regions. The Global Leadership Council is the high-level group of appointed Sanitation and Water for All

leaders who advocate and mobilize wider political commitment to the guiding principles and aims of the partnership. Effective 2021, UNICEF has representation on the Global Leadership Council and holds 2 seats of 30 on the Sanitation and Water for All steering committee.

Education Outcomes Fund

23. Education Outcomes Fund was established to provide results-based financing in education, with the aim of improving the effectiveness of spending and transforming the lives of 10 million children and young people. UNICEF holds 1 seat of 1, on the Education Outcomes Fund high-level steering group.

Global Muslim Philanthropy Fund for Children

24. The Global Muslim Philanthropy Fund for Children is a joint initiative established by UNICEF and the Islamic Development Bank Group. It is a unique platform that caters to all forms of Islamic philanthropy, including Zakat and Sadaqah. The fund is specifically designed to harness the true potential of Islamic giving by financing life-saving humanitarian aid and responding to the child-related Sustainable Development Goals in the 57 member countries of the Organization of Islamic Cooperation. The Islamic Development Bank Group, UNICEF, the Abdul Aziz Al Ghurair Refugee Education Fund from the United Arab Emirates, and the King Salman Humanitarian Aid and Relief Centre from Saudi Arabia have a seat on the Governing Council of the Philanthropy Fund.

Revenue realized from other related parties as at 31 December

(Thousands of United States dollars)

	2021	*2020*
Global Partnership for Education	152 411	431 468
Global Fund to Fight AIDS, Tuberculosis and Malaria	84 431	87 844
Gavi, the Vaccine Alliance	313 534	93 677
Education Cannot Wait	34 279	37 425
Global Partnership to End Violence against Children	2 652	3 069
Total	**587 307**	**653 483**

Note 38
Joint Operations

1. UNICEF is a partner, at 50 per cent, in Giga, a global activity established to connect every school to the Internet and every young person to information, opportunity and choice. Giga is not a separate legal entity but a joint activity co-led by UNICEF and ITU through a memorandum of understanding.

Note 39
Post-balance sheet events

1. There are no significant post-balance sheet events affecting UNICEF operations.

Note 40
Segment information

1. A segment is a distinguishable activity or group of activities for which it is appropriate to report financial information separately. At UNICEF, segment

information is based on the principal activities and sources of financing of the organization. For UNICEF, the relevant segments are labelled institutional, regular resources – programme, regular resources – non-programme, other resources – regular, other resources – emergency and trust funds.

2. The segment report contains additional information on revenue and expenses incurred on an IPSAS accrual basis. UNICEF budgets are prepared and managed on a modified cash basis and expenditures incurred against approved budgets are presented in statement V on the same modified cash basis.

Institutional and regular resources segments

Revenue

3. Revenue included in these segments is defined as regular resources in the UNICEF Financial Regulations and Rules. Regular resources include unrestricted contributions, licensing income, management type contributions, allocations to the working capital fund and proceeds from other revenue-producing activities and miscellaneous revenue.

4. The regular resources – programme segment includes voluntary contributions (non-exchange revenue) and the retention for private-sector fundraising. Contributions towards management initiatives such as greening and accessibility and contributions towards UNICEF local costs, contributions towards the repayment of the forward flow arrangements, such as with the World Bank, and the cost of private-sector fundraising are presented under regular resources – non-programme.

5. The institutional segment includes internal inter-segment cost recovery and direct attribution, such as warehouse overhead and centrally managed costs. Also included is investment revenue, licensing income, exchange revenue, such as interest, and proceeds from sales.

Activities

6. The institutional segment includes UNICEF headquarters and central support functions. Headquarters and central functions provide business support in a number of areas, including communications, finance and accounting, treasury services, management of after-service health insurance, human resources, information technology, legal services, travel, asset management and security and donor-related activities. The central functions also process transactions, manage data and provide other services.

7. The major categories of expenses within the institutional segment include salaries and other employee benefits, depreciation of assets and expenses related to the after-service health insurance and country office fundraising costs.

8. The institutional segment includes assets and liabilities that are linked to the overall UNICEF mandate and are not easily allocated to other segments. The main categories of assets included in this segment are cash, investments and centrally managed land and buildings. Also included is the inventory maintained in the central warehouses. The main liability is for after-service health insurance.

9. The regular resources – programme segment includes activities described in programme documents. These activities are funded from the country programmes and the advocacy, programme development and intercountry programme.

10. The majority of categories of expense within this segment include the utilization of cash assistance transferred to implementing partners, programme supplies delivered to implementing partners, programme-related expert services, employee benefits, and local country office rental costs.

11. Major categories of assets are regular resources contributions receivable and advances of cash assistance, which are funded from the country programmes and the advocacy, programme development and intercountry programme.

12. The regular resources – non-programme segment includes country office fundraising activities and UNICEF management costs, such as the Junior Professional Officers working in headquarters divisions and funded from the headquarters initiatives, greening and accessibility activities and local costs of UNICEF offices that are not programme-related.

13. The combined net assets of the institutional and regular resources segments represent the total regular resources fund balance. This is presented combined, as the regular resources fund is managed as one pool from which allocations are made to institutional and programmatic activities based on affordability. Unused funds are returned to the fund.

Other resources – regular and emergency segments

Revenue

14. The other resources – regular segment includes funds contributed to UNICEF by governments, intergovernmental organizations, NGOs and the United Nations system for specific purposes within the programmes approved by the UNICEF Executive Board.

15. The other resources – emergency segment includes humanitarian emergency contributions and contributions from development agencies received for specific humanitarian programmatic activity.

Activities

16. These segments include activities described in programme documents. The majority of categories of expense within these two segments include the utilization of cash assistance transferred to implementing partners, programme supplies delivered to implementing partners, programme-related expert services, and employee benefits. In addition, these segments are charged a cost-recovery fee, which is eliminated in the "inter-segment" column in the report on the segment.

17. Major categories of assets are earmarked contributions receivable, advances of cash assistance to implementing partners and inventories of programme supplies held for distribution, which are funded from the country programmes and the advocacy, programme development and intercountry programme.

18. The fund balance is recorded at the level of individual donor agreements within the accounting records of UNICEF and represents unused funds to be used in a future period for programme implementation activities. At the conclusion of the activities, unspent balances are either returned to the donor or reprogrammed, as permitted under the donor agreement.

Trust fund segment

19. The trust fund segment includes activities defined by the Financial Regulations and Rules as special accounts. The fund balance is maintained separately and is accounted for as funds held on behalf of third parties. Procurement services represent the primary component of activities within the trust fund segment. In addition to special accounts, the trust fund segment includes UNICEF-hosted funds where UNICEF is providing management services as an agent and assets of the funds are held in trust.

20. For each trust fund, a determination is made as to whether UNICEF has control over the activity as determined by the organization's accounting policy. Where control is established, the accounting policy for exchange revenue and recording of expense is applied. Otherwise, they are accounted for as agency arrangements, and all cash inflows and outflows are netted together in a liability account. The fee charged by UNICEF to manage the activities is recorded as other revenue within the trust fund segment.

21. This segment also contains other smaller grants managed in similar fashion to trust funds, such as guest houses managed for UNICEF staff and contractors in volatile locations where commercial alternatives are not available. Revenue from these guest houses is used solely for maintenance and upkeep of the mentioned guest houses.

A. Segment information on assets and liabilities by fund type

(Thousands of United States dollars)

	Regular resources			*Other resources*			
	Institutional	*Non-programme*	*Programme*	*Regular programme*	*Emergency programme*	*Trust funds*	*2021*
Segment assets							
Current segment assets							
Cash and cash equivalents[a]	604 378	–	–	–	–	–	604 378
Inter-segment activity[b]	(7 834 919)	21 292	–	3 700 756	1 305 296	2 807 575	–
Contributions receivable	–	2 127	298 605	1 562 282	994 269	–	2 857 283
Other receivables	13 955	1 583	50 986	30 555	16 328	–	113 407
Advances of cash assistance	–	–	99 540	419 514	298 190	11 875	829 119
Inventories	147 376	–	30 077	219 121	190 000	–	586 574
Investments	5 881 570	–	–	–	–	–	5 881 570
Procurement services related assets	–	–	–	–	–	3 190 769	3 190 769
Other assets	16 463	405	13 194	20 203	6 141	115 495	171 901
Total current segment assets	**(1 171 177)**	**25 407**	**492 402**	**5 952 431**	**2 810 224**	**6 125 714**	**14 235 001**
Non-current segment assets							
Contributions receivable	–	1 528	248 167	822 294	81 825	–	1 153 814
Other receivables	1 304	–	20	6	13	–	1 343
Investments	3 399 568	–	–	–	–	–	3 399 568
Property and equipment	185 474	3 031	30 270	7 598	12 119	419	238 911
Intangible assets	966	–	421	35	9	–	1 431
Other assets	1 617	–	–	–	–	–	1 617
Total non-current segment assets	**3 588 929**	**4 559**	**278 878**	**829 933**	**93 966**	**419**	**4 796 684**
Total segment assets, 2021	**2 417 752**	**29 966**	**771 280**	**6 782 364**	**2 904 190**	**6 126 133**	**19 031 685**
Total segment assets, 2020	**2 253 694**	**23 887**	**574 821**	**6 248 104**	**2 143 593**	**1 775 341**	**13 019 440**

[a] For both risk management and efficiency reasons, all cash and investments are held and managed centrally and are therefore included within the institutional segment.
[b] The inter-segment activity represents the cash held centrally as explained under (a) at the end of the year relating to other segments reflected in the correct segments.

A. Segment information on assets and liabilities by fund type (continued)

(Thousands of United States dollars)

	Regular resources			*Other resources*			
	Institutional	*Non-programme*	*Programme*	*Regular programme*	*Emergency programme*	*Trust funds*	*2021*
Segment liabilities							
Current segment liabilities							
Accounts payable and accrued liabilities	69 902	2 056	14 151	50 383	46 099	830 880	1 013 471
Contributions received in advance	–	342	–	10 737	–	–	11 079
Funds held on behalf of third parties	–	–	–	–	–	4 954 123	4 954 123
Other liabilities	278 886	–	10	–	–	215 765	494 661
Employee benefits	191 487	–	–	–	–	–	191 487
Provisions	–	–	–	21 230	13 238	–	34 468
Total current segment liabilities	**540 275**	**2 398**	**14 161**	**82 350**	**59 337**	**6 000 768**	**6 699 289**
Non-current segment liabilities							
Contributions received in advance	–	2 611	–	–	–	–	2 611
Other liabilities	71 109	–	–	–	–	99 913	171 022
Employee benefits	1 830 914	–	–	–	–	–	1 830 914
Total non-current segment liabilities	**1 902 023**	**2 611**	–	–	–	**99 913**	**2 004 547**
Total segment liabilities, 2021	**2 442 298**	**5 009**	**14 161**	**82 350**	**59 337**	**6 100 681**	**8 703 836**
Total segment liabilities, 2020	**2 184 531**	**4 815**	**15 659**	**78 251**	**56 564**	**1 779 840**	**4 119 660**

A. Segment information on assets and liabilities by fund type (continued)

(Thousands of United States dollars)

		Other resources			
	Total regular resources	*Regular programme*	*Emergency programme*	*Trust funds*	*2021*
Net assets, 1 January 2021	**647 397**	**6 169 853**	**2 087 029**	**(4 499)**	**8 899 780**
Surplus for the year	188 991	530 161	757 824	29 951	1 506 927
Actuarial losses recognized directly in the reserves	(10 967)	–	–	–	(10 967)
Changes in fair value of available-for-sale financial assets	(67 891)	–	–	–	(67 891)
Net assets, 31 December 2021	**757 530**	**6 700 014**	**2 844 853**	**25 452**	**10 327 849**
Net assets, 31 December 2020	**647 397**	**6 169 853**	**2 087 029**	**(4 499)**	**8 899 780**

B. Segment information on revenue and expenses by fund type

(Thousands of United States dollars)

	Regular resources			*Other resources*				
	Institutional	*Non-programme*	*Programme*	*Regular programme*	*Emergency programme*	*Trust funds*	*Eliminations/ inter-segment transactions*	*2021*
Segment revenue								
Voluntary contributions	–	90 144	1 488 502	3 660 255	3 053 833	–	–	8 292 734
Other revenue	13 064	–	–	913	406	206 886	–	221 269
Investment revenue	55 583	–	–	–	–	–	–	55 583
Internal cost recovery	363 168	–	–	–	–	–	(363 168)	–
Procurement services cost recovery	7 104	–	–	–	–	–	(7 104)	–
Internal direct attribution	155 885	–	–	–	–	–	(155 885)	–
Total segment revenue, 2021	**594 804**	**90 144**	**1 488 502**	**3 661 168**	**3 054 239**	**206 886**	**(526 157)**	**8 569 586**
Total segment revenue, 2020	**568 755**	**73 989**	**1 107 394**	**3 764 538**	**2 358 251**	**136 058**	**(460 634)**	**7 548 351**
Segment expenses								
Cash assistance	–	–	215 143	1 342 392	937 966	–	–	2 495 501
Transfer of programme supplies	–	–	84 065	570 617	638 485	–	–	1 293 167
Employee benefits	658 095	18 113	351 216	417 288	229 671	41 809	–	1 716 192
Depreciation and amortization	11 044	357	7 713	1 728	3 291	127	–	24 260
Investment funds for development of private sector fundraising	89 986	23 477	–	–	–	–	–	113 463
Other expenses	306 792	42 225	183 362	507 782	387 187	135 022	(526 157)	1 036 213
Programme-related expert services	–	–	63 443	291 366	99 618	–	–	454 427
Finance costs	2 708	–	–	–	–	–	–	2 708
Total segment expenses, 2021	**1 068 625**	**84 172**	**904 942**	**3 131 173**	**2 296 218**	**176 958**	**(526 157)**	**7 135 931**
Total segment expenses, 2020	**941 251**	**71 774**	**974 183**	**2 549 096**	**2 207 582**	**122 581**	**(460 634)**	**6 405 833**
Gains and (losses), net 2021	72 580	(87)	787	166	(197)	23	–	73 272
Gains and (losses), net 2020	76 457	(58)	(92)	(1 954)	(525)	(8)	–	73 820
Net surplus/(deficit), 2021	**(401 241)**	**5 885**	**584 347**	**530 161**	**757 824**	**29 951**	**–**	**1 506 927**
Net surplus/(deficit), 2020	**(296 039)**	**2 157**	**133 119**	**1 213 488**	**150 144**	**13 469**	**–**	**1 216 338**

C. Segment information on expenses by region

(Thousands of United States dollars)

	Regular resources			*Other resources*				
	Institutional	*Non-programme*	*Programme*	*Regular programme*	*Emergency programme*	*Trust funds*	*Eliminations/ inter-segment transactions*	*2021*
Cash assistance								
East Asia and the Pacific	–	–	8 894	74 379	38 067	–	–	121 340
Europe and Central Asia	–	–	6 661	72 346	131 707	–	–	210 714
Eastern and Southern Africa	–	–	57 021	358 876	120 757	–	–	536 654
Headquarters	–	–	3 095	10 278	5 645	–	–	19 018
Latin America and the Caribbean	–	–	11 142	51 120	73 102	–	–	135 364
Middle East and North Africa	–	–	14 430	377 211	362 175	–	–	753 816
South Asia	–	–	32 319	89 207	62 041	–	–	183 567
Western and Central Africa	–	–	81 581	308 975	144 472	–	–	535 028
Total cash assistance	**–**	**–**	**215 143**	**1 342 392**	**937 966**	**–**	**–**	**2 495 501**
Transfer of programme supplies								
East Asia and the Pacific	–	–	4 584	27 226	27 626	–	–	59 436
Europe and Central Asia	–	–	(3 050)	20 458	14 562	–	–	31 970
Eastern and Southern Africa	–	–	18 142	143 934	113 456	–	–	275 532
Headquarters	–	–	5 930	4 579	18 173	–	–	28 682
Latin America and the Caribbean	–	–	2 732	9 842	43 153	–	–	55 727
Middle East and North Africa	–	–	5 077	119 545	206 347	–	–	330 969
South Asia	–	–	11 274	81 915	85 696	–	–	178 885
Western and Central Africa	–	–	39 376	163 118	129 472	–	–	331 966
Total transfer of programme supplies	**–**	**–**	**84 065**	**570 617**	**638 485**	**–**	**–**	**1 293 167**

C. Segment information on expenses by region (continued)

(Thousands of United States dollars)

	Regular resources			Other resources				
	Institutional	*Non-programme*	*Programme*	*Regular programme*	*Emergency programme*	*Trust funds*	*Eliminations/ inter-segment transactions*	*2021*
Employee benefits								
East Asia and the Pacific	29 988	6 034	30 066	47 031	7 136	–	–	120 255
Europe and Central Asia	27 160	852	11 141	16 561	9 682	–	–	65 396
Eastern and Southern Africa	45 888	–	85 239	91 380	41 574	53	–	264 134
Headquarters	417 272	514	34 172	53 144	16 514	41 672	–	563 288
Latin America and the Caribbean	33 491	9 267	15 091	23 521	16 364	–	–	97 734
Middle East and North Africa	34 398	–	21 410	61 648	75 037	–	–	192 493
South Asia	22 173	1 446	57 459	47 132	18 012	–	–	146 222
Western and Central Africa	47 725	–	96 638	76 871	45 352	84	–	266 670
Total employee benefits	**658 095**	**18 113**	**351 216**	**417 288**	**229 671**	**41 809**	**–**	**1 716 192**
Depreciation and amortization								
East Asia and the Pacific	766	29	588	255	27	–	–	1 665
Europe and Central Asia	279	2	83	12	141	–	–	517
Eastern and Southern Africa	1 283	–	2 107	427	798	9	–	4 624
Headquarters	4 877	323	558	11	6	105	–	5 880
Latin America and the Caribbean	701	3	219	37	196	–	–	1 156
Middle East and North Africa	962	–	651	273	1 400	2	–	3 288
South Asia	955	–	1 031	350	232	1	–	2 569
Western and Central Africa	1 221	–	2 476	363	491	10	–	4 561
Total depreciation and amortization	**11 044**	**357**	**7 713**	**1 728**	**3 291**	**127**	**–**	**24 260**

C. Segment information on expenses by region (continued)

(Thousands of United States dollars)

	Regular resources			Other resources				
	Institutional	*Non-programme*	*Programme*	*Regular programme*	*Emergency programme*	*Trust funds*	*Eliminations/ inter-segment transactions*	*2021*
Investment funds for development of private sector fundraising								
East Asia and the Pacific	–	10 572	–	–	–	–	–	10 572
Europe and Central Asia	–	307	–	–	–	–	–	307
Eastern and Southern Africa	–	(21)	–	–	–	–	–	(21)
Headquarters	89 986	562	–	–	–	–	–	90 548
Latin America and the Caribbean	–	9 386	–	–	–	–	–	9 386
South Asia	–	2 671	–	–	–	–	–	2 671
Total investment funds for development of private sector fundraising	**89 986**	**23 477**	**–**	**–**	**–**	**–**	**–**	**113 463**
Other expenses								
East Asia and the Pacific	4 428	9 317	9 514	38 418	14 862	122	–	76 661
Europe and Central Asia	7 074	2 180	4 966	29 414	18 185	33	–	61 852
Eastern and Southern Africa	10 337	2 266	29 813	108 919	58 995	3 646	–	213 976
Headquarters	252 548	12 600	57 258	83 443	63 941	124 099	(526 157)	67 732
Latin America and the Caribbean	9 414	7 872	9 066	24 350	29 250	371	–	80 323
Middle East and North Africa	5 418	1 514	7 891	87 600	119 090	3 688	–	225 201
South Asia	6 755	790	15 231	54 109	32 162	2 533	–	111 580
Western and Central Africa	10 818	5 686	49 623	81 529	50 702	530	–	198 888
Total other expenses	**306 792**	**42 225**	**183 362**	**507 782**	**387 187**	**135 022**	**(526 157)**	**1 036 213**

C. Segment information on expenses by region (continued)

(Thousands of United States dollars)

	Regular resources			Other resources				
	Institutional	*Non-programme*	*Programme*	*Regular programme*	*Emergency programme*	*Trust funds*	*Eliminations/ inter-segment transactions*	*2021*
Programme-related expert services								
East Asia and the Pacific	–	(8)	3 593	14 010	5 732	–	–	23 327
Europe and Central Asia	–	7	2 601	9 605	3 447	–	–	15 660
Eastern and Southern Africa	–	–	12 025	65 524	17 956	–	–	95 505
Headquarters	–	–	5 732	26 389	6 796	–	–	38 917
Latin America and the Caribbean	–	1	5 436	13 247	7 505	–	–	26 189
Middle East and North Africa	–	–	3 368	43 117	32 724	–	–	79 209
South Asia	–	–	16 910	81 187	13 456	–	–	111 553
Western and Central Africa	–	–	13 778	38 287	12 002	–	–	64 067
Total programme-related expert services	**–**	**–**	**63 443**	**291 366**	**99 618**	**–**	**–**	**454 427**
Finance costs								
Headquarters	2 708	–	–	–	–	–	–	2 708
Total finance costs	**2 708**	–	–	–	–	–	–	**2 708**

C. Segment information on expenses by region (continued)

(Thousands of United States dollars)

	Regular resources			*Other resources*				
	Institutional	*Non-programme*	*Programme*	*Regular programme*	*Emergency programme*	*Trust funds*	*Eliminations/ inter-segment transactions*	*2021*
Total expense by region								
East Asia and the Pacific	35 182	25 944	57 239	201 319	93 450	122	–	413 256
Europe and Central Asia	34 513	3 348	22 402	148 396	177 724	33	–	386 416
Eastern and Southern Africa	57 508	2 245	204 347	769 060	353 536	3 708	–	1 390 404
Headquarters	767 391	13 999	106 745	177 844	111 075	165 876	(526 157)	816 773
Latin America and the Caribbean	43 606	26 529	43 686	122 117	169 570	371	–	405 879
Middle East and North Africa	40 778	1 514	52 827	689 394	796 773	3 690	–	1 584 976
South Asia	29 883	4 907	134 224	353 900	211 599	2 534	–	737 047
Western and Central Africa	59 764	5 686	283 472	669 143	382 491	624	–	1 401 180
Total segment expenses	**1 068 625**	**84 172**	**904 942**	**3 131 173**	**2 296 218**	**176 958**	**(526 157)**	**7 135 931**